THE BOOTS COMPANY

Report and Accounts

for the year ended 31st March 1993

The Boots Company PLC
Group Head Office
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Our objective is to maximise the value of the Company for the benefit of its shareholders.
We will do so:
– by building on our position as one of the UK's leading retailers in our chosen markets.
– by investing in the research, development, manufacturing and marketing of innovative prescription pharmaceuticals, health and personal care products throughout the world.
– through enterprising development and management of our property assets.
While vigorously pursuing our commercial interests we will, at all times, seek to enhance our reputation as a well managed, ethical and socially responsible company.

Group Financial Highlights 2
Chairman's Statement 4
The Company Today 6
Chief Executive's Review 8
Financial Review 10
Operational Review 12
Boots People 21
Community Relations, Employees and the Environment 29
Board of Directors 32
Corporate Governance 34
Corporate Information 35
Directors' Report 36
Group Profit and Loss Account 38
Statement of Total Recognised Gains and Losses 39
Note of Historical Cost Profits and Losses 39
Reconciliation of Movements in Shareholders' Funds 39
Balance Sheets 40
Group Cash Flow Statement 41
Notes Relating to the Accounts 42
Directors' Responsibilities Statement 63
Auditors' Report 63
Principal Companies 64
Group Financial Record 66
Segmental Financial Record 68
Financial Calendar 69

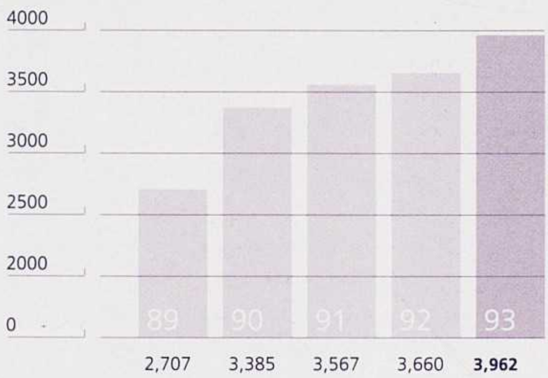
Group Financial Highlights

for the year ended 31st March 1993

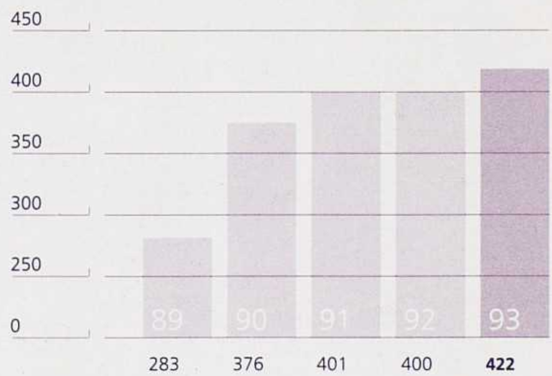
	1993 £m	1992 £m	Change %	Change % (previous reporting basis)
Turnover	**3,962.1**	3,660.3	+8.2	
Profit before tax	**405.2**	340.7	+18.9	+11.9
Profit before tax (excluding loss from property disposals)	**406.4**	343.7	+18.2	+13.0
Net debt	**203.8**	362.3	−43.7	
Purchase of fixed assets	**166.4**	175.9	−5.4	
Research and development	**66.8**	58.9	+13.4	
Earnings per share	**27.0p**	23.0p	+17.4	+7.2
Total dividend	**13.4p**	12.4p	+8.1	

The results for the year ended 31st March 1993 have been prepared in accordance with the new accounting standard 'Reporting Financial Performance' (FRS3) and prior year numbers have been restated. Percentage changes under the previous reporting basis are also shown above where they differ.

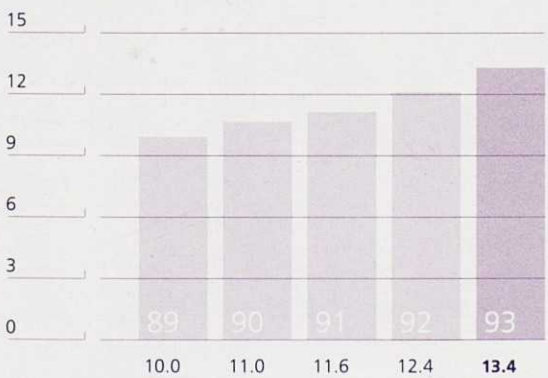
Turnover £m



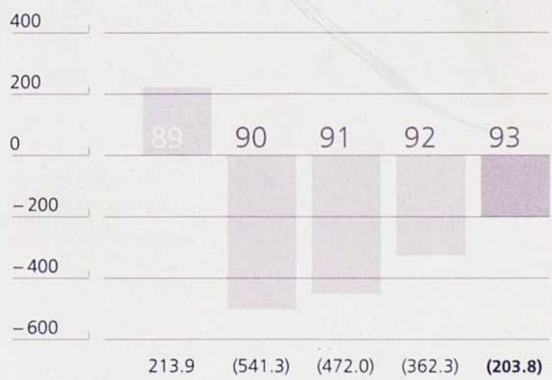
Operating Profit £m



Dividends per Share (pence)



Net Cash/(Debt) £m



Chairman's Statement

There has been another good performance by the Company, in the third year of a recession which affected many of our world markets. This performance through such a difficult time gives me considerable confidence in our future prospects which, whilst not reliant on the emergent economic upturn, will clearly benefit from it.

The Company achieved a profit before tax of £405.2m and cash flow was positive. The balance sheet remains strong.

The directors declared an 8.8 pence per share second interim dividend on 25th March 1993, making a total of 13.4 pence per share – an increase on the previous year of 8.1%. As a consequence the directors do not recommend the payment of a final dividend.

The decision to pay the second interim dividend before the end of the financial year preceded the effective date of the reduction from 25% to 20% in the tax credit. As a result, shareholders benefited by a total of some £6m in tax refunds or lower tax payments, as well as getting their money sooner. For many years now, the directors have followed a policy of paying out a proportion of attributable profits which may be considered to be high. We have done so because we believe this suits the tax position of nearly all shareholders, and because we believe it is appropriate to give shareholders a choice as to whether to reinvest in the Company.

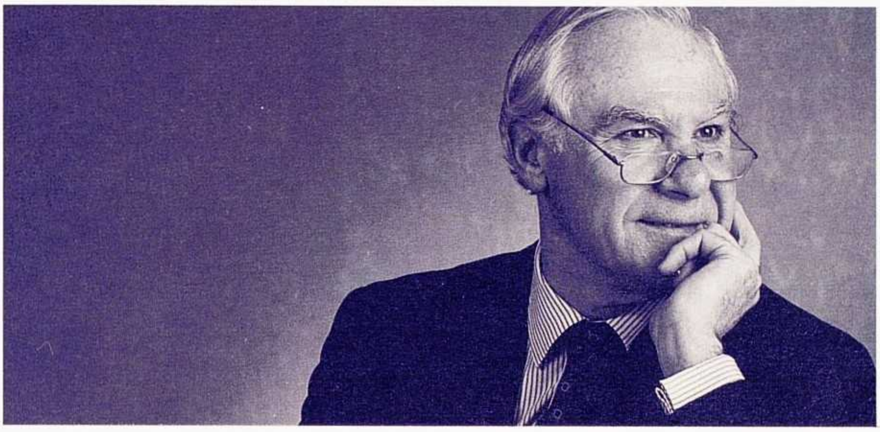
The Boots Company holds its own people in the highest possible regard. The Board and shareholders are dependent on their qualities, and that is the underlying theme of this report.

The year's achievement is the clearest evidence of our ability to recruit, train, motivate and retain staff of the highest calibre at every level. With some 80,000 people in the Company this is no mean task but one to which we have consistently, over decades, attached the highest importance. Increasingly we seek to recognise performance through our remuneration structures and senior management incentives are now designed specifically to reflect improvements achieved in shareholder value.

Last year I reported on the introduction of a new bonus scheme for executive directors, linking payments to Company performance over a four year period. That scheme remains in place and the details are set out on page 61. The Board have agreed with the executive directors that the executive directors should take no increase in basic salary for 1993/94.

We report in the business review of Boots Properties on the revaluation of group property. The requirement to revalue on a vacant possession basis is quite inappropriate in the opinion of the directors given the considerable value of Boots group companies' covenant in the market place.

Corporate governance has remained a topic of interest. Of the 19 primary provisions of the Cadbury Code of Best Practice, The Boots Company complies fully with 17. As we report on page 34, these remaining matters will be



addressed as soon as practicable.

I remain conscious of our broader social responsibilities, notably with regard to the environment. All our businesses are required to behave responsibly in this as in other matters. We are maintaining a thorough review of performance across the group and are committed to an open dialogue with appropriate parties to help in the development of our existing environmental policy and practice.

We have continued to invest on a global scale, and substantial capital programmes have included both new plant and extensions to existing facilities, notably in the UK and the US.

Throughout the developed world there is increasing concern about the apparently inevitable growth of healthcare costs. This concern is understandable, but we urge caution in focusing on only one minor aspect – the cost of medicines – when in the longer term education and lifestyle may have a much larger part to play.

Dr. Eric Cliffe retired on 4th December 1992, after 33 years of distinguished service to the Company, 13 as a member of the Board. His contributions to Boots and to the pharmaceutical industry have been outstanding.

Shareholders will also wish to join me in thanking Baroness Oppenheim-Barnes for her 11 years service to the Company as a non-executive director. She has indicated that she will not be standing for re-election. We shall miss her unique insight and very particular understanding of our customers.

I conclude this statement on our theme. The atrocity of the Warrington bombs occurred just after the year end – immediately outside our Boots The Chemists store. The response of our people in the store was remarkable. They addressed a truly shocking experience with selfless dedication. Their performance reflected the enduring qualities of Boots people.

I am confident that The Boots Company has the people and the resources to sustain sound performance and an improving return to our shareholders.

Christopher Benson

Sir Christopher Benson
Chairman

The Company Today

Boots The Chemists

Boots The Chemists has 1,101 stores with a total sales area of 518,129 square metres and is managed through two principal chains.

There are 864 "Small Stores" with a sales area per store of up to 600 square metres. These concentrate on the core business areas of health and beauty.

"Large Stores" total 222 with a sales area per store of up to 4,300 square metres. In addition to health and beauty, Large Stores also include sound vision, cookshop and gift merchandise.

There are also 15 free-standing Photo Centres.

Boots The Chemists is market leader in many areas of its business including healthcare, cosmetics, toiletries, baby consumables, films and film processing.

Boots Opticians

The second largest chain of opticians in the UK, with 283 practices.

Childrens World

An edge-of-town operation with a wide range of children's products from toys to clothing, currently with 30 stores.

Halfords

The largest retailer of car parts and accessories and cycles. Halfords is also the largest garage servicing organisation in the country. Currently there are 239 small stores on the High Street and 176 out-of-town Superstores.

A G Stanley

The largest retailer of home decorating materials through FADS or Homestyle by FADS with 409 stores. Homestyle by FADS includes home enhancement products, such as co-ordinated fabrics and wallpaper.

Sephora

Perfumery and cosmetics retailing with 38 stores in France.

Do It All

A 50/50 joint venture DIY company between Boots and W H Smith with 221 stores.

Boots Pharmaceuticals

Researches, develops and markets prescription pharmaceuticals worldwide. Also markets a range of specialist chemicals worldwide and is responsible for Boots' consumer healthcare products outside Europe.

The major products are:

Ibuprofen
Prescription pharmaceutical (Brufen).

Flurbiprofen
Prescription pharmaceutical (Froben).

Dothiepin
Prescription pharmaceutical (Prothiaden).

Levothyroxine
Prescription pharmaceutical (Synthroid) – (US and Canada only).

Flosequinan
Prescription pharmaceutical (Manoplax).

The Boots Company PLC

- Boots The Chemists
- Boots Retail
  - Halfords
  - Childrens World
  - Sephora
  - A G Stanley
  - Boots Opticians
  - Do It All
- Boots Properties
- Boots Pharmaceuticals
- Boots Healthcare International
- Boots Contract Manufacturing
  - Boots Print

Responsible for 18 overseas companies, many of which have their own manufacturing facilities.

Boots Healthcare International

Responsible for the marketing of consumer healthcare products in the UK and Europe, and for exports to other markets.

The product range includes Strepsils, Nurofen, Dequadin, Sweetex, Optrex, Mycil, E45, Farley, No 7 and Natural Collection.

Boots Contract Manufacturing

One of the three largest contract manufacturers in Europe. Manages production at manufacturing plants in Beeston and Airdrie (Scotland), developing and producing a wide range of own brand products for Boots The Chemists, prescription pharmaceuticals for Boots Pharmaceuticals, and consumer products for Boots Healthcare International. Numerous products are produced for other companies under contract.

Boots Properties

Responsible for optimising returns from the Company's substantial UK property portfolio and a profit centre charging rent to all tenants, including Boots retailing operations, Boots Pharmaceuticals, Boots Healthcare International and Boots Contract Manufacturing.

Boots Properties actively manages disposals and investments to improve the value of the property portfolio. Its development activities are mainly concentrated in the retail sector.

Chief Executive's Review

1 From left to right: Gordon Solway, Gordon Hourston, Terry Richardson and Keith Ackroyd.
2 From left to right: Alan Hawksworth, Mike Ruddell and David Thompson.

Group sales increased 8.2% to £3,962.1m. Profits before tax excluding property disposals and exceptional items increased by 13% to £406.4m. This was a good result in a difficult year.

Boots The Chemists performed particularly well with sales increasing 7.8%, a real growth of some 3%, and a profit increase of 15.8%. This profit increase was achieved in spite of a charge of £11.7m arising from the NHS inquiry into discounts on wholesale supplies of medicines. It shows yet again the considerable underlying strength of this core group business.

Boots Pharmaceuticals received registration for our new heart drug Manoplax in the key UK and US markets. Following the year end, on receipt of preliminary results from a survival study, new advice regarding dosage levels was issued to clinicians and the 100 mg tablet was withdrawn in the UK. The implications of the findings from the study are at the time of writing being considered by the Company and the regulatory authorities.

We continued to invest at a high level in the businesses, in marketing, research and development. Total capital investment was £169.0m in the year under review, the largest investment of capital (at £63.2m) being in Boots The Chemists, where we are seeing excellent returns from store refurbishments and new small stores.

There has also been a high level of investment in management and systems in our retail businesses. Skills and lessons learned have been effectively transferred from Boots The Chemists with notable results. The benefits are most evident in Halfords, where I am pleased to report that a significant loss of £9.5m in 1991/92 has been turned to a profit of £4.7m in 1992/93. We are now confident in our strategy for this business and look forward to a steady performance improvement in the years ahead. As returns improve we shall commit further capital investment to existing and new superstores.

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The performance of Do It All was disappointing. The structure of the DIY market and broader economic factors gave cause for concern throughout the year. But here again the transfer of resource, technology and retailing skills, primarily from Boots The Chemists, will generate performance improvement as the housing market in particular picks up.

The Boots Company now has a new structure and a management philosophy which

clearly links reward to improvement in shareholder value. We are driving this philosophy through every level of the Company – a considerable task but the results are already becoming evident.

We completed the restructuring of our former Pharmaceuticals Division into three businesses – Boots Pharmaceuticals, responsible for prescription pharmaceuticals worldwide and over the counter products outside Europe; Boots Healthcare International responsible for OTC consumer products in Europe; and Boots Contract Manufacturing serving our cosmetics, personal care and pharmaceuticals businesses, as well as an expanding third party customer base. The financial results of these businesses will be separately reported next year.

Group strategy, control and external communication is now driven from the separately located Head Office team of 100 people. This centre sets the policy and organisational framework, the current and future business strategy and the corporate goals. It sets standards and agrees the annual and forward plans of each business unit, allocates resources, and monitors performance. The absolute goal for this evolution in management is that the group and its constituent businesses all focus on sustained cash generation and the creation of shareholder value.

The Company generated £549.6m of cash from operating activities in the year. Total net borrowings were £203.8m at 31st March 1993. The net interest charge has been reduced from £43.1m to £16.5m and interest cover is 25.6 times.

Given the economic environment within which these results were achieved, I have no doubt about the strength of the Company's performance in 1993/94. Some of our businesses in difficult markets have already turned the corner and sustained economic recovery should enable them to achieve an enhanced rate of improvement.

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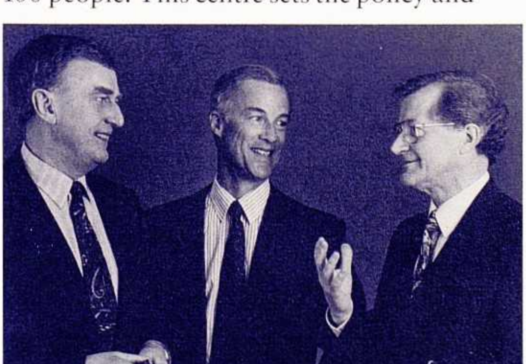

Sir James Blyth
Chief Executive

Financial Review

Accounting Standards

We have adopted the new Accounting Standard FRS3 "Reporting Financial Performance" both for this year and for last year's comparative figures. Among the main changes are that discontinued businesses are shown separately and non-recurring items are classified as exceptional and charged against profit before tax. In addition, profits on property disposals are now calculated by reference to their carrying value instead of historic cost as before. These changes affect earnings per share (EPS) and mean that this indicator will in future be more volatile. EPS of 27.0p is 17.4% ahead of a restated result for last year; the increase on the previous reporting basis is 7.2%. We support the view that there has been hitherto an over-reliance on EPS as an all-embracing measure of performance.

The new statement of total recognised gains and losses on page 39 includes the deficit on revaluation of properties amounting to £223.2m. This partially reverses the revaluation gains recorded at the time of the previous valuation in 1989.

Taxation

The effective rate of tax for the group is 30.7% which compares with a rate of 30.8% in 1992 before charging the exceptional item. The tax charge this year again benefits from the US federal tax relief given for Puerto Rican income, although changes are proposed which would reduce the amount of tax credit available in the future from our operations in Puerto Rico.

Cash Flow and Funding

We operate strict worldwide guidelines for the investment of cash. Investments, including the £144.0m in Puerto Rico, are only made in high quality bank deposits and other liquid instruments.

In June, 1992, the remaining £113.3m of 6% convertible capital bonds were converted and exchanged into 33.8m new ordinary shares in the Company. The following month we entered into a major financing involving a bond issue of £250m. The proceeds were used to repay short-term debt, considerably extending the maturity of borrowings.

The group is now no longer reliant on short-term sources of funding to meet its core needs. Seasonal working capital requirements continue to be met largely by short-term commercial paper issued directly to investors.

The group generated sufficient cash during the year to meet investment requirements, pay a second interim dividend and still allow borrowings to reduce by £51.6m before conversion of capital bonds.

Interest Rate Management

We do not believe hedging the impact of short-term movements in interest rates increases the worth of the Company, or that long-term shareholders ascribe value to the reduction in earnings volatility arising from such hedging.

We do not wish to have too much debt fixed at one interest rate and the majority of the £250m 10⅛% bond issued during the year was swapped from fixed to floating rate. All other debt, with the exception of the US$175m bond, is at floating rates of interest. As a result, the overall interest cost has been reduced during the year by the significant fall in UK rates.

Currency Exposure Management

The group's major currency exposure is to the value of the US$ and we use a consistent option hedging strategy to protect the sterling value of US$ sales and purchases. This seeks to smooth US$ cash flows in sterling terms and also provides a planning horizon. Each month options are purchased to mature a year later. At maturity, we are able to choose either the option rate or the then prevailing market rate, whichever is better. The cost involved in purchasing options is broadly matched, over time, by their value. Options are purchased only to cover the forecast needs of the businesses. We do not sell currency options.

We also make modest sales and purchases in a range of currencies other than the US$ but do not consider hedging them into sterling value adds value.

As well as these activities involving trading cash flows, we protect part of the estimated value of the $ earning businesses by means of longer-term dollar liabilities, currently in the form of currency swaps and the $ bond.

3 Kelly Harris, Emma Prior and Zoe Becke, after a shopping visit to Boots The Chemists small store on Bridgnorth High Street. Boots The Chemists has 864 small stores spread throughout the UK. All are highly successful offering Boots core ranges of health and beauty products.
4 Customer care has always been central to the Boots offer. Boots staff are well trained and knowledgeable. Featured here are Evelyn Slater and baby Katy with Sales Assistant Suzanne Minchin at Boots The Chemists, the Harlequin Centre, Watford.
5 Halfords Garage Servicing at Shirley superstore. Halfords Service Supervisor Gary Mallett advising Scott Adkins with Gary Brindley, Tyre & Exhaust specialist in the foreground. Halfords superstores are increasingly popular with customers for the range of car parts, car accessories, bicycles and bicycle clothing.

Operational Review

Boots The Chemists

Boots The Chemists' sales at £2,663.9m increased 7.8% and profit before tax at £285.0m, was up 15.8%. Profit before tax has increased three fold in the last six years.

Sales in the early part of the year were helped by good weather and after a reasonable Christmas there was a significant upturn in the new year.

The core businesses of Boots The Chemists, healthcare and personal care, both showed exceptional growth in sales and profits with consequent increases in market shares. Preservation of or increases in market share in all our key markets demonstrate the recognition by our customers that Boots represents excellent value for money.

The net margin has further improved to 10.7% as a result of a small increase in gross margin, tight control of expenses, particularly payroll, and cost efficiency programmes in finance, estates and store planning. There has also been sustained pressure for lasting reform of property costs and more equitable leases.

Substantial investment has continued in marketing, information systems, new store refurbishments and a major warehouse extension.

One contributor to continuing success is timely, accurate information. This year the electronic point of sale (EPOS) installation programme was completed in all stores. The "front end" of the system as seen by customers

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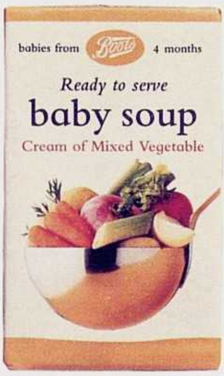
drives an extensive system of information networks. Installation of the automatic stock replenishment system continues to provide even greater staff productivity in stores and lower stock investment throughout the chain.

Twenty six new stores were opened including major replacements in Crawley, Llandudno and Barnstable. There were also 11 substantial extensions to existing stores.

Boots The Chemists share of the NHS prescription market has increased with the



enhancement of customer service via a computerised patient record system which is now in all stores, and the continued development of the Boots Monitored Dosage System now provided to over 96,000 people in nearly 4,400 residential care homes.

Boots own brand merchandise is at the core of Boots The Chemists success. These products now represent 42% of sales and there were some notable successes during the year. A new cholesterol testing kit was an instant success, and slimming foods have shown increases of 22% elevating Boots Shapers to a £26m brand. Many personal care own brands have been successful, particularly Natural Collection.

In baby products, Boots Ultra Nappy sales more than doubled to £16m, and innovative products in baby soups, cereals and herbal baby toiletries were introduced.

Investment in customer service continues through both staff training and rigorous product testing.

Boots The Chemists expects to continue to build on its commanding position in the high street, and this is being reinforced by the creation of a team dedicated to the practical enhancement of town centres of every type to ensure that the needs of high street customers continue fully to be met.

Halfords

Halfords turnaround in profitability despite the depressed state of the car market throughout 1992/93 has been a significant achievement.

Last year's loss of £9.5m has been turned into a profit of £4.7m, with a sales increase of 6.6% to £327.2m.

Halfords has invested substantially in systems and management improvements over recent years, and the benefits are now becoming evident.

There has been a performance improvement across all parts of the business, helped by changes made after close scrutiny of individual product profitability. Merchandising and product ranges have been improved, and more profitable use has been made of space.

Significant progress has been made in car parts with the appointment of two suppliers to cover the UK, thereby improving both customer service and profitability. New parts store counters have been successfully trialed and are now being rolled out to all Superstores. Our ambition is that Halfords should be recognised as the specialist Superstore for the car maintenance enthusiast.

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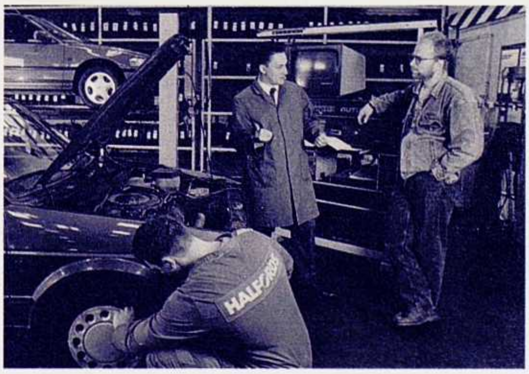

6 Gerry De Micco being tested by Optical Adviser Dianne Hannah on a visual field screener at Boots Opticians, Victoria Centre, Nottingham. The Boots Opticians business started in 1983 and is now the second largest optician in the UK. Employing the latest sight testing technology, the business is now expanding into larger optical practices where customers can receive fast and efficient service as well as having a wide choice of frames.

7 Lewis and Ryan Barratt with John Burgess in the play area at Childrens World, Shirley near Birmingham. Childrens World stores have become very popular with families as the concept is designed to bring fun into shopping for children, and make life a little easier for their parents!

8 Co-ordinated fabric and wallcovering design appeals to many home decorators. Homestyle by FADS has the largest available range of these co-ordinates. Samantha Orton, Sales Assitant, advises Mr and Mrs Shepherd on decorating co-ordinates in the Homestyle store at Castle Meadow, Nottingham.

As a result of productivity and presentational improvements the losses incurred in Garage Servicing are significantly reduced from £14.3m to £9.4m. Following extensive research the customer offer, working practices and remuneration packages are currently being restructured in a limited trial on 15 sites in Scotland.

Cycle sales were flat but outperformed the market. Cycle accessories showed a very significant increase.

There has been little change in overall space with a small number of Superstore openings and a continuing rationalisation of high street stores.

The future for Halfords seems bright with the prospect of an improving UK economy, profitable Garage Servicing, and increased expansion of the Superstore concept matched by continuing high street rationalisation.

Boots Opticians

This has been another excellent year for Boots Opticians with sales at £93.9m up 11.4% and profits at £6.6m up 15.8%.

In a highly competitive market, Boots Opticians has gained market share by providing a first class professional service and a consistent value for money offer.

The major focus during the year has been the establishment of own brand ranges of frames, lenses and contact lenses. This move will enhance the future profitability of the business.

In addition the roll-out of enlarged practices has continued. In all, 28 have been opened in a new format with technically advanced opthalmic equipment, attractively displayed merchandise and a one-hour service for most spectacles. A more rapid roll-out is planned for the next financial year.

Childrens World

Sales at £70.2m increased 10.6%. Losses in Childrens World have been substantially

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reduced to £3.3m, and there was a further significant improvement in operating efficiency through the application of stringent cost control.

The small store concept continued to be particularly successful and four new stores in this format were opened in the year. There is now a total of 30 stores, with 18 stores of 30,000 square feet, and 12 of 15,000 square feet. We plan to open more smaller stores in 1993/94, to achieve a chain of 40 by the year end.

Sephora

Sales in this beauty business increased 17.1% to £69.1m, but with the continued depressed trading environment in France and intense competitive activity, this resulted in a small profit of £0.2m.

The fine fragrance agency distribution is now complete across the chain.

There has been a continuous improvement in buying margin, plus further rationalisation of the product range and stock reductions, resulting from the new EPOS and stock replenishment systems.

A G Stanley

Sales at £111.6m were broadly unchanged from last year. Profit at £2.8m has declined in a difficult market affected by heavy discounting and advertising by DIY operators, and by the stagnant housing market. Costs were well controlled, but we suffered under the "privity of contract" law – some leases of properties which we had sold reverted to us at a cost of £0.5m.

In spite of the market background, the Homestyle by FADS chain has been very successful with the co-ordinated ranges of curtains and wallpaper and sales intensities are increasing. Elements of these ranges have been successfully introduced into the high street stores, and this has helped counterbalance a difficult trading position in paints.

Significant investment will transform the high street chain in 1993/94, resulting in improved sales.

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Do It All

The joint company with W H Smith has been trading for two and a half years. Despite its previous existence as Payless and W H Smith's Do It All, it is still in its present form a new business.

As a result of severe price discounting which

Operational Review continued

has affected this new business more severely than the competition, Do It All incurred heavy losses. However Do It All had re-established its market share at above 13% by the year end.

Progress has been made in differentiating the business from the competition, in part through the introduction of well designed quality own brands. These now account for 14% of sales with a target of around 22% for 1993/94.

Over 20 stores have been redesigned and fitted to appeal to the keen amateur DIY customer and have generated a positive response.

Systems development has produced more accurate and effective management information, enabling better management of the business.

Customer service levels have improved due to investment in supply management. Construction began on a new central warehouse and distribution centre at Tamworth which will become operational in mid-1994. This will help

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further reduce in-store costs and raise margins.

Business performance should improve with the combined effects of these changes, and the apparently imminent uplift in the housing market.

Boots Pharmaceuticals

Boots Pharmaceuticals is a research-based prescription pharmaceuticals business engaged in the discovery, development, production and worldwide marketing of prescription pharmaceuticals.

It also markets certain speciality chemicals and is responsible for Boots consumer products business outside Europe.

Boots Pharmaceuticals' new product Manoplax (flosequinan) is indicated for the treatment of congestive heart failure. It was approved for marketing and launched in the UK in September 1992 and in the USA in March 1993. It has been well received by cardiologists and other relevant specialists and early sales have been excellent.

Since the end of the financial year, preliminary results have become available from a long term clinical study to determine the effects of the drug on mortality. These results indicate a significant correlation between use of the drug at 100mg per day and an increased risk of death. Accordingly the 100mg dose has been withdrawn in the UK and physicians in the USA have been advised not to use that dose. The product remains available for use in both

9 Sales Assistant Martin Harrison discussing a DIY problem with John and Audrey Hulatt at Do It All, Solihull. The latest DIA stores feature many "how to do it" models and leaflets. Staff are fully trained in all aspects of DIY and are ready, willing and able to respond to customer questions.

10 Graham Kirk, Control Room Operator, monitoring the computer controlled flosequinan production process in Cramlington. Technology pervades every aspect of company operations. Investment has been considerable from retail information systems to manufacturing process control.

countries at lower doses. The implications of these preliminary results of the study will continue to be the subject of active discussions between the Company and the regulatory authorities over the next few months.

Further regulatory approvals are unlikely to be granted in the near future, except in Japan where lower doses of pharmaceuticals are typical. Notwithstanding these recent developments, the Company continues to believe that the product will in due course have an important place in the treatment of congestive heart failure.

The current most significant profit contributor to Boots Pharmaceuticals is Synthroid, the thyroid replacement therapy marketed in the US. Here we have seen an increase in sales of 5.7% to $200m in tablet sales.

Brufen, Froben and Prothiaden remain important to Boots Pharmaceuticals. Brufen Retard and Froben SR, once a day dosage forms

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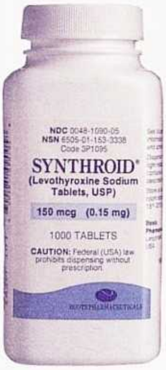
of ibuprofen and flurbiprofen, continue to be launched into world markets. Brufen Retard is now available in 11 markets and Froben SR in 16. These two line extensions are helping to sustain the brands in a highly competitive environment.

A proportion of Boots Pharmaceuticals earnings derives from fees and royalties from ibuprofen and flurbiprofen licences in the US. At a total of £28.3m these have shown 8.8% growth in 1992/93, mainly from the continued success of Advil (OTC ibuprofen) in the US. These royalty earnings virtually cease during the next 12 months; flurbiprofen as Ansaid in October 1993, and ibuprofen as Advil in May 1994.

During the year the £5.5m chemical production facility for flosequinan was completed at Cramlington. The Boots/Hoechst Celanese joint venture chemical plant to produce ibuprofen in Bishop, Texas was commissioned, and has received regulatory approval since the year end.

The future for any pharmaceutical business is dependent on its research pipeline. Boots Pharmaceuticals has a number of significant product candidates in prospect for registration. Our transdermal formulation of flurbiprofen, which treats joint pain and inflammation locally with the application of a plaster, has been filed for registration in a number of European markets. Sibutramine is now in late Phase II of development for the treatment of



Operational Review continued

obesity and extended large scale clinical trials will commence shortly. Sibutramine offers a potentially significant opportunity later this decade. Further products in clinical development include treatments for diabetes and schizophrenia.

Boots Healthcare International

Boots consumer products are now sold through distributors, agents and Boots overseas subsidiaries around the world.

The European consumer product market is currently very fragmented and is expected to develop significantly over the next few years. Boots Healthcare International has been created to focus on the European market, building on the very strong position of Crookes consumer products in the UK where we are the leading company in this area with brands such as Nurofen, Strepsils, Optrex and E45.

A local consumer product organisation is already operational in most European countries including France, Spain, Italy and Benelux. Gaps will be filled by organic growth or acquisition. Following the year end small acquisitions were announced in France and Italy.

During the year Strepsils continued its success and in France achieved brand leadership with a market share of 18%. In Belgium the introduction of TV advertising produced record growth of Strepsils, Reflex and Nurofen brands.

Despite a relatively mild winter in the UK, Crookes Healthcare continued to show growth in all its leading products. The Farley business has done particularly well. A 16% share of the infant formula market has now been achieved and Farley Timers range has been very successful. It is well recognised as the most significant single innovation in the UK baby food market.

Nurofen continues to demonstrate its importance in safe and effective modern pain-relief. In the UK it performs strongly, and in France the initial sales in the semi-ethical category have been encouraging.

11

Boots Contract Manufacturing

This newly-created business is responsible for secondary manufacturing activities in the UK together with the development of consumer products. Its customers are Boots The Chemists, Boots Pharmaceuticals, Boots Healthcare International, and a growing number of third parties.

The year's unit sales increase included more

11 Alan Napier – Marketing Group Manager for Cough/Cold, Mike Portas – Head of Strategic Information and Andre van de Mark – Director of Consumer Products Marketing in Holland, in discussion on consumer products issues at a European marketing meeting of Boots Healthcare International.

12 Left and centre, Sandra Leivesley and Deborah Coward packing Cream E45, on the new high speed tube filling line. Boots Contract Manufacturing produces many thousands of products for Boots The Chemists, Boots Pharmaceuticals and Boots Healthcare International, in factories at Beeston, Kendal and Airdrie (Scotland).

12

personal care products for Boots The Chemists, as well as higher supplies to third parties – now representing 15% of total sales. The commitment to high quality customer service is paramount in building the business.

Organisational streamlining has taken place with the integration of product development and manufacturing facilities. Improved links with suppliers have contributed to low cost inflation despite inflationary pressures from the increase in raw material prices due to sterling devaluation.

There has been investment in plant, equipment and buildings refurbishment to enhance technical capabilities and improve efficiency. In addition investment in information systems has improved levels of management information and control, notably in product development where some 2,000 projects are in progress at any one time.

Boots Properties

Profit at £53.1m increased by 2.5%, part of this increase being rents from new properties acquired during the year. The profit includes a loss on property sales of £1.2m. This loss has been calculated based on the early adoption of Financial Reporting Statement 3.

An active asset management programme continues and Boots Properties has invested £30m, purchasing a number of freeholds and leasehold interests during the year in accordance with our policy of investing where Boots retail companies have an occupational interest. Asset sales realised £17.6m.

The most significant acquisitions were the Magnolia Centre in Exmouth at a cost of £7.6m and a retail park in Andover at £6.1m. Major disposals have included non-strategic common stock rooms at Wellingborough, Thetford and Chester for a combined total of £5.8m.

Some £125m of expenditure has been approved to date for proposed retail property development schemes planned for the next few years. Construction has started on projects at Plympton and at Market Harborough (a joint venture with Bryant Properties). Planning applications have been made for town centre schemes at Brecon, Caerphilly, Chorley, Harrow and Hastings. Earlier developments at Glasgow, Liverpool, Nottingham and Salisbury are fully let.

Satisfactory progress has been made during the year in letting the vacant properties

Operational Review continued

13 Jim Strudwick, Construction Executive, Boots Properties, discusses progress with David Taylor from the contractors AMEC on site at Boots new Nottingham group head office building.

associated with the failure of the Zodiac and Tandem retail companies which were once owned by the Ward White Group. The leases on these properties reverted to Boots due to the current legislation in respect of privity of contract.

The Directors' Report provides details on the revaluation of the group's non-specialised freehold and long leasehold properties. The deficit of £223m represents a like for like reduction in valuation of some 25% since March 1989. During the past year there was a further deterioration in the property market generally and this has had a disproportionate impact on the valuation of the group's retail properties for two specific reasons. Firstly, the prices paid for vacant property have shown a marked deterioration. Secondly large stores, which comprise some 50% of the portfolio value, have been more heavily discounted in the market.

The valuation was carried out by our own professionally qualified staff in accordance with the approved valuation standards. In the case of property occupied by group companies the standards required the valuation to be based on the assumption that property is vacant at the time. In the Directors' opinion this is not a realistic indication of the value to the Company of such properties, which in the vast majority of cases the Company intends to continue to occupy: it takes no account of the strength of group companies' covenant in the market place.

In the opinion of the Directors, based on advice from professionally qualified staff, due recognition of covenant strength would reduce the stated £223m deficit against carrying value to one of £175m.

13

Since 1877 we have sought to provide the very best in products and service. We continue to do so, striving to improve. Our people embody our values and are the reason why customers, staff and investors choose Boots.

Boots has achieved its reputation as one of the UK's leading retailers through heavy investment in all its operations.

The excellent quality and competitive price of own brand products in Boots The Chemists, Halfords, Boots Opticians, Childrens World, Homestyle by FADS, and Do It All are well recognised by customers – these are the features which encourage them into our shops.

Providing customers with the right products at the right price and maintaining an increasingly profitable business base to enable proper shareholder return plus reinvestment in the business is a complex task. Investment in information technology has been a significant aspect of this process, and has been particularly successful in Boots The Chemists.

But the keys for any retailer are its people and investment in them – the training which produces the best in customer service. Featured opposite is Viv Taylor, Competitive Advantage Programme Manager for Boots The Chemists, who in her previous job, Staff Training Manager, received a National Training Award for individual achievement from the Secretary of State for Employment.

Boots annually invests millions of pounds in research and development to create innovative new products in areas of therapy where current medicines have not provided the solution to specific illnesses.

Boots research has discovered a number of medicines including the very successful ibuprofen, marketed for rheumatism on prescription as Brufen, and over the counter as a general pain reliever as Nurofen.

Boots is particularly successful in the development of consumer products for general sale overseas and in the UK. Nearly 1,000 new products including medicines, toiletries and cosmetics are developed each year in Boots own laboratories.

For prescription pharmaceuticals the process of discovery is both long and arduous. It includes the computer design of many hundreds of molecules before chemists work out methods to make them in the laboratory.

Featured opposite is Dr Andy Crew, part of our team of medicinal chemists who design and synthesize these novel organic compounds which have therapeutic potential.

Good marketing is essential to the success of any product. For Boots The Chemists, the store name has a special value, which combines with other factors such as store design, merchandising and customer service. Media advertising and editorial also play a role in making consumers aware of individual products and the overall store offer.

For consumer products sold through non-Boots outlets in the UK and markets around the world a different combination of marketing skills is required. In the UK Boots has already built a very successful marketing operation through Crookes, selling such brands as Strepsils, Optrex and Nurofen. In fact, Crookes Healthcare has held first place in the UK consumer healthcare product market for the past three years.

The opportunity is enormous for healthcare consumer products in the rest of Europe. In Boots Healthcare International we have established a team of people dedicated to this European opportunity, and to our existing Crookes UK operation.

Featured here is Tom Gurney, Head of Marketing for Boots Healthcare International whose job is to spearhead the marketing effort.

"I am confident that The Boots Company has the people and the resources to sustain sound performance and an improving return to our shareholders."

Sir Christopher Benson
Chairman

Community Relations, Employees and the Environment

Community Relations

The Company's charitable and educational payments totalled £1,374,000 during the year (1992 £1,213,000). These included donations of £469,000 paid through Boots Charitable Trust, an independent registered charity wholly funded by the Company since its establishment in 1970.

During the year the Trustees agreed more focused new funding priorities – healthcare, education and economic development – which have also been accepted as corporate charitable funding priorities.

The Boots Recycling Project has distributed surplus stock to local, national and international charities since 1985. This is a cost effective and environmentally responsible method of disposing of surplus merchandise. The cost value of merchandise distributed during 1992/93 was £444,000. We were pleased to receive endorsement and encouragement during a visit by H.R.H. The Prince of Wales.

We have long recognised the mutual value of partnerships with community groups. Fruitful working relationships and information networks provide a firm base for collaboration on business and community issues.

As a founder member of Business in the Community, Boots is a major sponsor of the Local Enterprise Agency (L.E.A.) network. Local Enterprise Agencies were originally formed as partnerships between the public and private sectors to offer free help and advice to small businesses. We now sponsor 114 agencies throughout the UK, costing over £73,000.

Many of our managers contribute their skills to the community by providing advice and guidance to small businesses through the L.E.A. network, and through membership of community and charity management and advisory committees. Local managers and their staff play active and prominent roles in their communities.

Boots Properties has continued to make empty stores around the UK temporarily available to local charities. Occupied properties are less likely to be targeted by vandals and squatters whilst the charity benefits from premises in a prime location.

Charitable and community work is undertaken throughout the UK and, to a lesser extent, internationally. The focus, however, is inevitably on Nottingham where the Company was founded, where our Head Office is based and where over many years a special relationship with all parts of the community has been developed through the provision of support and resource of every type.

Boots is a founder member of Nottingham Development Enterprise, a partnership between the public and private sectors. During the year, as part of the Company's continuing commitment to this initiative, two senior members of staff have been seconded to work on projects relating to the planned Greater Nottingham Rapid Transit System, which involves all of the local authorities in the conurbation.

Boots conceived and promoted the unique public, private and voluntary sector partnership which led to the establishment of the Nottinghamshire Childcare Forum. The partnership is collaborating on a strategic approach to developing and implementing childcare initiatives for Nottinghamshire.

Last year employees raised more than £164,000 (including a top-up contribution from Boots Charitable Trust) for a wide variety of charities. For the second year running, the major staff fund-raising event was the Endurance Challenge. Staff teams competed over assault courses to raise a magnificent £93,500, shared between Help the Aged and the Company's Benevolent Funds.

Employees

The Company aims to recruit and retain a skilled, dedicated and well informed workforce.

For all employees, there is no substitute for face-to-face communication. This is undertaken through line management, briefing groups, quality teams and trades unions where they represent staff and a comprehensive structure of staff councils. We also use a variety of communications media including The Boots Company News, which is now published monthly and sent to employees throughout the world. Individual businesses have their own publications of various kinds which reflect their differing needs. These are supplemented by an annual report to staff, electronic media and other mechanisms.

The Company is now committed to 'pay for performance'. Annual salary reviews are based on our ability to pay and on the performance of the individual, as assessed by line management. The businesses now operate seven profit related bonus schemes where reward is directly linked to business unit performance. We also seek to ensure that pay for all employees compares appropriately with peer group companies and labour markets.

As a pioneer of National Vocational Qualifications, the Company through Boots The Chemists is now planning to introduce Level IV for junior management, whilst it still accounts for over 50% of all retail Level III registrations in the UK. Boots The Chemists is now an *Investor in People*, the largest UK company to receive this government sponsored award. All our businesses are committed to quality standards of practice in training, developing and motivating staff to reach their full potential.

Our strong commitment to equal opportunities continues. Both gender and ethnic monitoring have been cornerstones of this policy for some years to ensure that we are totally unbiased in the recruitment and treatment of our employees. Now the process has moved on to disability monitoring. For some time the Company has had a comprehensive programme of advice, employment opportunities, training and career development for people with disabilities. A year ago we became a signatory to a Department of Employment Employers' Agenda on disability confirming this commitment.

This year saw the first anniversary of Oppor-

INVESTOR IN PEOPLE

POSITIVE ABOUT DISABLED PEOPLE

tunity 2000, an initiative backed by the Prime Minister to improve the representation of women in industry by the turn of the century. As a founder member we can already point to substantial *measurable* achievements – equal opportunities training, more women in supervisory and management roles and an improvement in the flexibility of working conditions to meet the needs of female staff. A further step forward for women employees throughout the Company is an improved package of maternity benefits which ensures that in many respects we exceed legal requirements and match current best practice in the rest of British industry.

As an international company, we seek to achieve policies and practices throughout the world which are consistent with our approach in the UK.

The Environment

Since the July 1991 statement of the Company's environmental aims was issued we have continued to develop our policy. We subscribe to the spirit of the 100 Group of Finance Directors policy initiative and those of the CBI and other relevant bodies.

As a responsible company with particular interests in health, the Company appreciates that environmental protection must be a high priority. We are conscious of the broad issues as they affect our businesses and we understand the legitimate interest of groups and individuals in response to those. We will maintain an open approach to those with such an interest.

Clear lines of responsibility for environmental matters have been established and an executive director has been nominated to take overall responsibility. Periodic reports are made to the Board Social Responsibilities Committee.

The Company is presently reviewing all relevant environmental issues with special reference to future developments. We need thoroughly to understand our present position in order to measure future improvement.

To establish baseline data and help set targets and objectives, working parties have been set up to study our position in such areas as product development; manufacturing and packaging; construction and property development; and transport. These activities are co-ordinated across the Company by a committee consisting of senior management representing our various business interests. This is a massive task given the number of locations and the variety of our operations. Concurrent with this task there are, throughout the Company, practical and often informal initiatives in place, for example 'green teams', energy reduction, and paper collection.

Our current environmental policy has the commitment of all our businesses, both UK and overseas, and it is our declared policy to act responsibly and in accordance with local regulations. It is the task of local management to ensure compliance.

We believe a good environmental policy is not only socially responsible but makes sound business sense. We expect to be able to demonstrate real progress in the next few years.

Board of Directors

14 From left to right: Ian Prosser, Sally Oppenheim-Barnes and Sir Peter Reynolds.
15 From left to right: Peter Davis and Robert Wilson.

Sir Christopher Benson, *Chairman*
Sir Christopher, 59, became a director in April 1989. He is Chairman of MEPC, having been Managing Director from 1976 to 1988. He is also Chairman of Sun Alliance & London Insurance and of The Housing Corporation.

Sir James Blyth, *Chief Executive*
Sir James, 53, joined the Company and the board in October 1987 as Chief Executive, after previous appointments as Group Managing Director of The Plessey Company and Head of Defence Sales at the Ministry of Defence. He is a non-executive director of British Aerospace, governor of London Business School and Chairman of the Prime Minister's Advisory Panel on the Citizen's Charter.

K Ackroyd, *Managing Director, Retail Division*
Keith Ackroyd, 58, joined the Company in 1952 and became a director in 1979. He is a Fellow of the Royal Pharmaceutical Society of Great Britain and Chairman of the British Retail Consortium. He was appointed Managing Director of Boots The Chemists in 1983. He took up his present position in 1984.

*P J Davis
Peter Davis, 51, became a director in May 1991. He is Chairman of Reed International and Chief Executive of Reed Elsevier. Before joining Reed International as Deputy Chief Executive in 1986, he spent ten years with J Sainsbury where he became Assistant Managing Director with responsibility for all buying and marketing operations.

A H Hawksworth, *TD, DL, Personnel Director*
Alan Hawksworth, 57, joined the Company in 1959 and became a director in 1984. He was previously Director of Personnel, Pharmaceuticals Division. He is a Fellow of the Institute of Personnel Management.

G M Hourston, *Managing Director, Boots The Chemists*
Gordon Hourston, 58, joined the Company in 1958 and became Personnel Director on his board appointment in 1981. He is a Fellow of the Royal Pharmaceuticals Society of Great Britain, Chairman of the Company Chemists Association, Chairman of the Armed Forces Pay Review Body and a member of the Top Salaries Review Body. He became Deputy Managing Director of Boots The Chemists in 1984 and became Managing Director in June 1988.

*The Rt Hon Sally The Baroness Oppenheim-Barnes of Gloucester
Sally Oppenheim-Barnes, 62, who became a director in 1982, was a Member of Parliament from 1970 to 1987 and Minister of State for Consumer Affairs from 1979 to 1982. She was Chairman of the National Consumer Council from 1987 to 1989 and is a non-executive director of Fleming High Income Investment Trust and HFC Bank.

14

15

*I M G Prosser

Ian Prosser, 49, became a director in 1984. He is Chairman and Chief Executive of Bass and is a director of Lloyds Bank. He is a Chartered Accountant.

*Sir Peter Reynolds, *CBE*

Sir Peter, 63, became a director in 1986. He is Chairman of Pioneer Concrete Holdings and a director of Pioneer International, Avis Europe, Guardian Royal Exchange Assurance and the Covent Garden Market Authority.

T G Richardson, *Managing Director, International and Marketing, Boots Pharmaceuticals*

Terry Richardson, 56, joined the Company in 1971 and became a director in 1983. His responsibilities include marketing, UK sales and overseas businesses outside North America within Boots Pharmaceuticals.

M F Ruddell, *Managing Director, Boots Properties*

Mike Ruddell, 49, joined the Company in 1966 and became a director in 1984. In 1986 he became Large Stores Director with responsibilities including merchandise and buying within Boots The Chemists. He took up his present position in June 1988. He is a non-executive director of Community Hospitals Group.

G R Solway, *Managing Director, Boots Pharmaceuticals*

Gordon Solway, 56, joined the Company in 1961 and became a director in 1979. He was in charge of the North American businesses from 1986, before taking up his present position in January 1992.

D A R Thompson, *Finance Director*

David Thompson, 50, joined the Company in 1966 and became Finance Director on his board appointment in July 1990. He became Retail Division Finance Director in 1980 and Group Financial Controller in 1989. He is a Chartered Accountant.

*R P Wilson

Robert Wilson, 49, became a director in December 1991. He has been with the RTZ Corporation for more than 20 years and became its Chief Executive in 1991.

*Non-Executive Directors

Corporate Governance

The Company is committed to the principle of sound corporate governance. We regard this as nothing more than an extension of our historic stance regarding ethical behaviour in the general conduct of our affairs.

The Board has reviewed its role and procedures in the light of the Cadbury Report on the Financial Aspects of Corporate Governance. In particular we have examined our compliance with the Code of Best Practice. The Company already complied with the principles of the Code in almost all respects but some changes have been made so that the Company will comply as far as is now practicable. There are two issues, namely the precise criteria for assessing the adequacy of internal accounting controls and the going concern status of the business, where the Cadbury Report acknowledges that further guidance is needed from the accountancy profession before companies are able fully to report in the way which the Code envisages. However, the Company expects to have no difficulty with these issues once the guidance emerges.

The changes which have been made in the light of the Code are as follows:

Code Provision 1.4

'The Board should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly in its hands'.

A number of matters have been reserved for the Board by practice, but there has been no formal schedule. Such a schedule, comprising 30 items, has now been agreed. Additional matters will, of course, be considered as the Board sees fit.

Code Provision 1.5

'There should be an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the company's expense'.

Although this has been our practice, no such formal procedures had been established. Directors are now authorised to take independent professional advice on legal and financial matters in furtherance of their duties as directors, subject to certain limits and procedures.

In particular, the intention to take such advice must be reported to the Chairman of the Audit Committee.

Code Provision 2.4

'Non-executive directors should be selected through a formal process and both this process and their appointment should be a matter for the Board as a whole'.

Previous appointments have been considered by the Board as a whole.

Our selection process has now been formalised by the creation of a Nominations Committee comprising the Chairman, Mr Wilson and Mr Hawksworth, with powers to consider appointments and make recommendations to the Board.

Code Provision 3.2

'There should be a full and clear disclosure of directors' total emoluments and those of the Chairman and highest paid UK director, including pension contributions and stock options. Separate figures should be given for salary and performance-related elements and the basis on which performance is measured should be explained'.

The remuneration note on pages 60 and 61 has been expanded to conform with the recommendation.

Corporate Information

Registered Office
Nottingham NG2 3AA

Registered Number
27657

Auditors
KPMG Peat Marwick

Bankers
National Westminster Bank PLC
Barclays Bank PLC

Registrars and transfer office
National Westminster Bank PLC
Registrar's Department
PO Box 82
Caxton House
Redcliffe Way
Bristol BS99 7NH

Board Audit Committee
I M G Prosser
P J Davis
Sir Peter Reynolds
R P Wilson

Board Nominations Committee
Sir Christopher Benson
A H Hawksworth
R P Wilson

Board Remuneration Committee
Sir Christopher Benson
P J Davis
Baroness Oppenheim-Barnes
I M G Prosser
Sir Peter Reynolds
R P Wilson

Board Social Responsiblities Committee
P J Davis
A H Hawksworth
Baroness Oppenheim-Barnes

Secretary
I A Hawtin

Directors' Report

The directors of The Boots Company PLC present their annual report to shareholders, together with the audited accounts for the year ended 31st March 1993.

Principal activities

The group's worldwide trading is conducted through four business segments. The principal activities of the Pharmaceuticals Division are the research, manufacture and marketing of pharmaceutical and consumer products, whilst Boots The Chemists operates the group's retail chemists chain. All other retailing activities including autoparts, DIY, opticians and children's merchandise are carried on in the Retail Division. Boots Properties manages and develops the group's property portfolio.

Business review and future developments

A review of group activities during the year and likely future developments are dealt with in the Chairman's Statement and the other business reviews on pages 4 to 20.

Group results

The group profit and loss account for 1993 shown on page 38 includes the following details:

	1993 £m	1992 £m
Turnover	**3,962.1**	3,660.3
Profit on ordinary activities before taxation	**405.2**	340.7

Appropriations

The directors do not recommend the payment of a final dividend following the payment of a second interim dividend of 8.8p per share on 31st March 1993. When added to the first interim dividend of 4.6p paid on 5th February 1993, this made a total dividend payment for the year of 13.4p per share (1992 12.4p per share). Payment of the dividends required £139.0m (1992 £126.4m), leaving £140.1m (1992 £103.1m) retained in the business.

Share capital

Details of shares issued during the year are shown in note 20 on page 55.

At the annual general meeting on 23rd July 1992 shareholders authorised the company to make market purchases of its own ordinary shares of 25 pence each. The authority is limited to the purchase of not more than 10% of the ordinary shares in issue at the date of the purchase; the maximum price payable is 105% of the average of the middle market quotations for the 10 business days before the purchase, with a 25 pence minimum, exclusive of any expense payable by the company. There have been no purchases during the year. The authority expires at the end of the annual general meeting in 1993, when shareholders will be invited to renew it.

Shareholders

As at 1st June 1993 the register maintained by the company under Section 211 of the Companies Act 1985 contains a notification to the company that the Prudential Corporation group of companies holds 4.0% of the issued ordinary share capital of the company.

Fixed assets

The directors carried out a valuation of the group's UK freehold and long leasehold properties, excluding factories and specialised buildings at 31st March 1993 in conjunction with the group's own professionally qualified staff. Details of this and other movements in fixed assets are shown on pages 48 to 50.

Staff

The company continues to involve staff in the decision-making process and communicates regularly with staff during the year. Staff involvement in the company's performance is encouraged through employee bonus and share schemes and this involvement extends to the board of Boots Pensions Ltd, on which there are four employee representatives.
The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.
Further information is shown on pages 30 and 31.

Charitable donations

Donations for charitable and educational purposes in the UK for the year were £1,374,000 (1992 £1,213,000). There were no political payments. Further information on community relations is shown on pages 29 and 30.

Directors

Details of directors who have served throughout the year are shown on pages 32 and 33.
On 4th December 1992 Dr E E Cliffe retired from the board.
The Baroness Oppenheim-Barnes retires by rotation at the annual general meeting in accordance with Article 100 and does not intend to stand for re-election.
No director had any interest, either during or at the end of the financial year, in any contract which was significant in relation to the group's business.
Details of the interests of the directors and their families in the share and loan capital of the company are shown in note 27 on page 62.
The company has maintained insurance for the directors against liabilities in relation to the company.

Company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors

It is proposed to re-appoint KPMG Peat Marwick as auditors and a resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
2nd June 1993
I A Hawtin
Secretary

Group Profit and Loss Account

for the year ended 31st March 1993

	Notes	1993 £m	1992 £m
Turnover from continuing operations	2	**3,962.1**	3,660.3
Cost of sales		**(2,129.4)**	(1,995.7)
Gross profit		**1,832.7**	1,664.6
Operating costs less other income	3	**(1,411.0)**	(1,265.0)
Operating profit from continuing operations	3	**421.7**	399.6
Provision for loss on discontinued operations sold in prior years	4	**—**	(15.8)
Profit on ordinary activities before interest		**421.7**	383.8
Net interest	5	**(16.5)**	(43.1)
Profit on ordinary activities before taxation	2	**405.2**	340.7
Taxation on profit on ordinary activities	6	**(124.4)**	(109.7)
Profit on ordinary activities after taxation		**280.8**	231.0
Minority interests		**(1.7)**	(1.5)
Profit for the financial year attributable to shareholders	7	**279.1**	229.5
Dividends	8	**(139.0)**	(126.4)
Profit retained		**140.1**	103.1
Earnings per share	9	**27.0p**	23.0p

The profit and loss account and earnings per share have been prepared in accordance with the provisions of FRS3 'Reporting Financial Performance' and the comparative figures have been restated accordingly.

Other Statements

for the year ended 31st March 1993

Statement of Total Recognised Gains and Losses

	1993 £m	1992 £m
Profit for the financial year attributable to shareholders	**279.1**	229.5
Deficit on revaluation of properties	**(223.2)**	—
Release of supplemental interest provision following conversion of capital bonds	—	12.5
Release of deferred taxation provision on previous revaluation surplus	**1.2**	1.0
Currency translation differences on foreign currency net investments	**34.5**	3.3
Share and bond issue expenses	**(2.2)**	(.4)
Total recognised gains and losses for the year	**89.4**	245.9

Note of Historical Cost Profits and Losses

	1993 £m	1992 £m
Reported profit on ordinary activities before taxation	**405.2**	340.7
Realisation of property revaluation surpluses	**13.4**	17.7
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	**.3**	.4
Historical cost profit on ordinary activities before taxation	**418.9**	358.8
Historical cost profit retained	**153.8**	121.2

Reconciliation of Movements in Shareholders' Funds

	1993 £m	1992 £m
Total recognised gains and losses for the year	**89.4**	245.9
Dividends	**(139.0)**	(126.4)
Currency adjustments on goodwill	**(29.0)**	(1.8)
New share capital subscribed	**126.7**	52.6
Goodwill purchased	**(1.4)**	(2.7)
Net increase in shareholders' funds	**46.7**	167.6
Shareholders' funds at 1st April 1992	**1,431.9**	1,264.3
Shareholders' funds at 31st March 1993	**1,478.6**	1,431.9

Balance Sheets

31st March 1993

	Notes	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Fixed assets					
Intangible assets	10	**52.1**	58.1	**9.0**	10.3
Tangible assets	11	**1,397.7**	1,568.2	**213.8**	190.2
Investments	12	**70.8**	57.5	**912.1**	951.5
		1,520.6	1,683.8	**1,134.9**	1,152.0
Current assets					
Stocks	13	**553.0**	519.6	**186.2**	147.5
Debtors (see note below)	14	**346.9**	287.1	**560.0**	633.6
Investments	15	**364.1**	187.6	**184.4**	51.2
Cash at bank and in hand		**10.9**	10.3	**.2**	.1
		1,274.9	1,004.6	**930.8**	832.4
Creditors: Amounts falling due within one year	16	**(897.4)**	(986.2)	**(645.3)**	(790.0)
Net current assets		**377.5**	18.4	**285.5**	42.4
Total assets less current liabilities		**1,898.1**	1,702.2	**1,420.4**	1,194.4
Creditors: Amounts falling due after more than one year	17	**(385.0)**	(230.6)	**(541.7)**	(358.9)
Provisions for liabilities and charges	19	**(27.9)**	(34.6)	**(4.8)**	(6.6)
Net assets		**1,485.2**	1,437.0	**873.9**	828.9
Capital and reserves					
Called up share capital	20	**259.5**	250.1	**259.5**	250.1
Share premium account	21	**196.0**	80.9	**196.0**	80.9
Revaluation reserve	21	**292.2**	528.3	**—**	—
Profit and loss account	21	**730.9**	572.6	**418.4**	497.9
Shareholders' funds		**1,478.6**	1,431.9	**873.9**	828.9
Minority interests		**6.6**	5.1	**—**	—
		1,485.2	1,437.0	**873.9**	828.9
Debtors, and therefore net current assets, include amounts falling due after more than one year of:	14	**5.4**	32.6	**145.0**	332.5

Approved by the board
2nd June 1993

Christopher Benson
Chairman

James Blyth
Chief Executive

David Thompson
Finance Director

Group Cash Flow Statement

for the year ended 31st March 1993

	Notes	1993 £m	1993 £m	1992 £m	1992 £m
Net cash inflow from operating activities	22a		**549.6**		472.2
Returns on investment and servicing of finance					
Interest received		**25.9**		17.4	
Interest paid		**(49.6)**		(50.3)	
Dividends received from associated undertakings		**—**		5.5	
Dividends paid to shareholders		**(214.5)**		(110.5)	
Dividends paid to minority interests		**(.6)**		(.6)	
Net cash outflow from returns on investment and servicing of finance			**(238.8)**		(138.5)
Taxation					
UK corporation tax paid		**(84.7)**		(72.9)	
Overseas tax paid		**(15.6)**		(20.5)	
Tax paid			**(100.3)**		(93.4)
Investing activities					
Purchase of fixed assets		**(166.4)**		(175.9)	
Purchase of businesses	22f	**(1.4)**		(2.7)	
Investment and loans to associated undertakings		**(13.3)**		(31.8)	
Disposal of fixed assets		**18.0**		30.3	
Disposal of businesses	22f	**.5**		.5	
Increase in short term investments		**(120.0)**		(20.6)	
Net cash outflow from investing activities			**(282.6)**		(200.2)
Net cash (outflow)/inflow before financing			**(72.1)**		40.1
Financing					
Issue of ordinary share capital		**4.6**		4.5	
Issue of 25 year bond		**250.8**		—	
Bond issue expenses		**(1.7)**		—	
Capital element of finance lease rental payments		**(3.4)**		(4.2)	
Repayment of variable rate notes		**(2.9)**		(8.3)	
(Decrease)/increase in other borrowings		**(63.8)**		3.0	
Net cash inflow/(outflow) from financing			**183.6**		(5.0)
Increase in cash and cash equivalents	22e		**111.5**		35.1

Notes Relating to the Accounts

1. Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the group accounts.

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and under alternative accounting rules set out in the 4th schedule to the Companies Act, 1985, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented as permitted by section 230 of the Companies Act, 1985.

Change in the presentation of financial information

The accounts comply with Financial Reporting Standard 3 (FRS3) 'Reporting Financial Performance'. FRS3 prescribes a new format for the profit and loss account, effectively eliminates extraordinary items and changes the basis of calculation of profits and losses from asset sales (see below) and earnings per share. In addition, new statements showing total recognised gains and losses, historical cost profits and losses and movements in shareholders' funds are required. Comparative figures have been restated accordingly (see note 2).

Consolidation

The accounts combine the results of the parent undertaking and all its subsidiary and associated undertakings (associates) for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. Goodwill on acquisitions, being the excess of cost of investments in subsidiaries over the fair value of net tangible assets acquired, is set off against reserves.

Associates are those undertakings, not recognised as subsidiaries, in which the group has a participating interest of between twenty per cent and fifty per cent and over whose policies the group is able to exercise a significant degree of influence. The group's share of the results of associates is included in the profit and loss account and its share of their net assets excluding goodwill is included in investments in the group balance sheet.

Foreign currencies

The results and cash flows of overseas subsidiaries are translated into sterling on an average exchange rate basis, weighted by the actual results of each month. Assets and liabilities including currency swaps are translated into sterling at the rates of exchange ruling at the date of the group balance sheet. Exchange differences arising from the translation of the results and net assets of overseas subsidiaries less offsetting exchange differences on foreign currency loans and currency swaps hedging those assets are dealt with through reserves. For this purpose net assets include goodwill set off against reserves. All other exchange differences are dealt with in the profit and loss account. The cost of the parent undertaking's investment in shares in overseas subsidiaries is stated at the rate of exchange in force at the date each investment was made.

Fixed assets and depreciation

No depreciation is provided on freehold land, investment properties, shop freeholds and long leaseholds with more than fifty years to run, nor on assets in the course of construction. In the opinion of the directors, shop properties are maintained to such a high standard by a programme of repair and refurbishment that the estimated residual values of these properties, based on the prices prevailing at the time of acquisition or subsequent revaluation, are sufficiently high to make any depreciation charge unnecessary. Any permanent diminution in the value of such properties is charged to the profit and loss account.

Leasehold properties with less than fifty years to run are amortised over the remaining period of the lease.

Other tangible fixed assets are written off by equal instalments over their expected useful lives. The maximum life assumed for freehold buildings, other than shops, is 40 years, and the lives assumed for fixtures and plant vary between three and 25 years.

Investment properties are revalued annually and included in the balance sheet at their open market value.
Profits and losses arising from the disposal of properties which have previously been revalued are calculated by reference to their carrying value to comply with FRS3. Previously such profits and losses were calculated by reference to original cost and comparatives have been restated accordingly.
Intangible assets acquired are amortised over estimated useful lives of up to a maximum of twenty years. Similar assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development
Expenditure, other than on buildings and plant, is charged against profit in the year in which it is incurred.

Pension funding
The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trust funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three-year intervals and include a review of contributions.
The cost of providing pensions is spread over the employees' working lives with the group. The cost charged to the profit and loss account in any year may not always equal the employer contributions to the pension schemes.

Leases
The rental costs of properties and other assets acquired under operating leases are charged directly to the profit and loss account.
The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals payable is charged to the profit and loss account on a straight line basis.

Deferred taxation
A deferred taxation provision is made only where the effects of timing differences between profits as stated in the accounts and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent that it is expected to be recovered.
No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets since any liability will be deferred indefinitely under capital gains provisions. Provision for taxation on the revaluation surplus is made to the extent that the gain is not expected to be sheltered by rollover relief under The Capital Gains Tax Act 1979.
No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries and associates as there is no present intention to remit the major part of these profits.

Turnover
Turnover comprises sales to external customers (excluding VAT and other sales taxes) and rental income. Comparative figures have been restated to include rental income.

Notes Relating to the Accounts

2. Segmental information

a Analysis of turnover and profit before tax by business segment is as follows:

	1993 Turnover £m	1993 Profit £m	1992 Turnover £m	1992 Profit £m
Pharmaceuticals Division	**762.2**	**108.5**	699.2	120.8
Boots The Chemists	**2,663.9**	**285.0**	2,471.8	246.2
Retail Division				
Childrens World	**70.2**	**(3.3)**	63.5	(6.4)
Boots Opticians	**93.9**	**6.6**	84.3	5.7
Sephora	**69.1**	**.2**	59.0	—
Halfords	**327.2**	**4.7**	306.9	(9.5)
A G Stanley	**111.6**	**2.8**	110.9	6.6
Share of Do It All	**200.2**	**(14.4)**	203.7	.2
	872.2	**(3.4)**	828.3	(3.4)
Boots Properties				
Development	**—**	**(3.5)**	5.0	3.5
Rents	**84.0**	**57.8**	74.7	51.3
Loss from property sales	**—**	**(1.2)**	—	(3.0)
	84.0	**53.1**	79.7	51.8
Inter-segmental				
Pharmaceuticals Division to Boots The Chemists	**(143.5)**	**—**	(144.4)	—
Rents received by Boots Properties	**(75.6)**	**—**	(70.1)	—
Other	**(.9)**	**—**	(.5)	—
	(220.0)	**—**	(215.0)	—
Corporate costs	**—**	**(21.5)**	—	(15.8)
Operating profit	**—**	**421.7**	—	399.6
Provision for loss on discontinued operations sold in prior years	**—**	**—**	—	(15.8)
Net interest	**—**	**(16.5)**	—	(43.1)
	4,162.3	**405.2**	3,864.0	340.7
Less: share of turnover of associated undertakings	**(200.2)**		(203.7)	
	3,962.1		3,660.3	

For the year ended 31st March 1992, turnover has been restated to include rental income and corporate costs have been increased by £1.9m to include amounts previously charged to retail businesses. Loss from property sales has been restated from a profit of £14.7m and the provision for loss on discontinued operations sold in prior years of £15.8m, previously reported as an extraordinary item, is now shown as exceptional to comply with FRS3 (see note 1).

The joint venture, Do It All Limited is accounted for as an associated undertaking. The 1992 Do It All result represented 50 per cent of the results attributable to its ordinary shareholders and the benefit of preference dividends. Following the capital restructuring of Do It All in April 1992, the 1993 result represents 50 per cent of Do It All's result before tax.

b Analysis of net operating assets by business segment is as follows:

	1993 £m	1992 £m
Pharmaceuticals Division	**429.6**	386.6
Boots The Chemists	**442.8**	431.5
Retail Division	**217.7**	211.8
Boots Properties	**736.0**	938.6
Net operating assets	**1,826.1**	1,968.5
Unallocated liabilities	**(340.9)**	(531.5)
	1,485.2	1,437.0

Net operating assets includes intangible and tangible fixed assets, fixed asset investments, stocks, third party debtors and creditors and inter-segment trading balances. Unallocated liabilities include all current taxation balances, dividend creditors, net borrowings including the convertible capital bonds and provisions for liabilities and charges.

c Analysis by geographical segment, with turnover and related operating profits shown in the segment from which the sale was made, is as follows:

	1993 Turnover £m	1993 Profit £m	1992 Turnover £m	1992 Profit £m
UK	**3,520.1**	**358.7**	3,264.2	319.4
Rest of Europe	**222.7**	**9.4**	198.2	13.3
US	**166.7**	**58.0**	144.7	68.2
Rest of World	**103.1**	**17.1**	93.3	14.5
Inter-segment	**(50.5)**	**—**	(40.1)	—
Corporate costs	**—**	**(21.5)**	—	(15.8)
	3,962.1	**421.7**	3,660.3	399.6

d Analysis of net operating assets by geographical segment is as follows:

	1993 £m	1992 £m
UK	**1,659.8**	1,818.8
Rest of Europe	**53.0**	52.9
US	**73.2**	60.8
Rest of World	**40.1**	36.0
Net operating assets	**1,826.1**	1,968.5
Unallocated liabilities	**(340.9)**	(531.5)
	1,485.2	1,437.0

e Turnover by geographical destination is as follows:

	1993 £m	1992 £m
UK	**3,396.1**	3,162.1
Rest of Europe	**243.6**	217.3
US	**192.8**	163.4
Rest of World	**129.6**	117.5
	3,962.1	3,660.3

Notes Relating to the Accounts

3. Operating costs less other income

	1993 £m	1992 £m
Selling, distribution and store costs	**1,145.0**	1,053.6
Research and development costs	**66.8**	58.9
Administration costs	**205.7**	175.0
Loss from property sales	**1.2**	3.0
Licence income	**(28.3)**	(26.0)
Loss from interests in associated undertakings	**20.6**	.5
	1,411.0	1,265.0

Operating profit from continuing operations shown on page 38 is after charging:

	1993 £m	1992 £m
Operating lease rentals:		
—Property rents	**122.7**	115.1
—Computer and plant hire	**8.6**	9.3
Depreciation and amortisation	**102.6**	89.2
Auditors' remuneration	**1.0**	1.0

The group auditors also received £.7m (1992 £.7m) in respect of non-audit services performed in the UK and £.3m (1992 £.2m) in respect of overseas subsidiaries.

4. Provision for loss on discontinued operations sold in prior years

	1993 £m	1992 £m
Costs of potential environmental liabilities in the US	—	10.0
Costs arising from lease reversions where assignees have defaulted	—	5.8
	—	15.8

No taxation relief has been recognised.

There remains considerable uncertainty regarding the extent of possible environmental liabilities in respect of former involvement in an agro-chemical joint venture in the US. Of the £10m provision set up in 1992, £9.9m remains unutilised at 31st March 1993 and, in the opinion of the directors, is still required to cover known and potential liabilities. Costs of £4.1m have been incurred in respect of lease reversions during the year.

5. Net interest

	1993 £m	1992 £m
Interest receivable and similar income:		
Listed investments	**.1**	.1
Short term deposits	**27.1**	17.7
Loans to associated undertakings	**1.5**	.6
	28.7	18.4
Interest payable and similar charges:		
Repayable within five years:		
—Bank and other loans	**(26.5)**	(47.2)
—Convertible capital bonds	**—**	(15.2)
—Interest capitalised	**.1**	1.7
—Finance lease charges	**(.3)**	(.8)
Loans repayable after five years	**(18.5)**	—
	(45.2)	(61.5)
	(16.5)	(43.1)

6. Taxation

	1993 £m	1992 £m
The charge on the profit for the year consists of:		
UK corporation tax at 33% (1992 33%)	**116.5**	93.1
Deferred taxation	**(1.5)**	2.4
Relief for overseas taxation	**(4.6)**	(13.0)
Share of taxation of associated undertakings	**(4.3)**	.7
Total UK taxation	**106.1**	83.2
Overseas taxation	**15.3**	25.2
Overseas deferred taxation	**3.0**	1.3
	124.4	109.7

The taxation charge for the year includes a credit in respect of prior year taxation of £4.1m (1992 £3.1m).

7. Profit for the financial year attributable to shareholders

Of the profit attributable to shareholders £59.5m (1992 £130.5m) is dealt with in the accounts of the parent company.

8. Dividends

		1993 £m	1992 £m
Interim paid of **4.6p** per share (1992	4.3p)	**47.6**	42.6
Second interim paid of **8.8p** per share (1992	nil p)	**91.4**	—
Final proposed of **nil p** per share (1992	8.1p)	**—**	83.8
13.4p	12.4p	**139.0**	126.4

Notes Relating to the Accounts

9. Earnings per share

Earnings per share calculations are based on 1,035.5m (1992 996.2m) average ordinary shares in issue, weighted on a time basis, and profit for the financial year attributable to shareholders of £279.1m (1992 £229.5m).
The fully diluted earnings per share would not be materially different.

10. Intangible fixed assets

Patents, trade marks and other product rights acquired.	Group £m	Parent £m
Cost		
At 1st April 1992	64.9	14.4
Additions	1.3	1.2
Disposals	(1.1)	—
Currency adjustments	(.8)	—
At 31st March 1993	64.3	15.6
Amortisation		
At 1st April 1992	6.8	4.1
Amortisation for year	5.7	2.5
Disposals	(.1)	—
Currency adjustments	(.2)	—
At 31st March 1993	12.2	6.6
Net book value at 31st March 1993	**52.1**	**9.0**

11. Tangible fixed assets

Group	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation					
At 1st April 1992	1,036.2	242.8	760.8	36.3	2,076.1
Currency adjustments	5.6	2.1	6.7	.1	14.5
Additions	32.4	28.0	74.7	33.9	169.0
Disposals	(19.6)	(8.1)	(21.5)	—	(49.2)
Reclassifications and transfers	.5	15.2	14.2	(29.7)	.2
Revaluation deficit	(227.1)	—	—	—	(227.1)
At 31st March 1993	828.0	280.0	834.9	40.6	1,983.5
Depreciation					
At 1st April 1992	40.4	111.9	355.6	—	507.9
Currency adjustments	1.2	1.3	4.1	—	6.6
Depreciation for year	5.0	23.6	68.3	—	96.9
Disposals	(.8)	(5.0)	(15.9)	—	(21.7)
Released on revaluation	(3.9)	—	—	—	(3.9)
At 31st March 1993	41.9	131.8	412.1	—	585.8
Net book value at 31st March 1993	**786.1**	**148.2**	**422.8**	**40.6**	**1,397.7**

Land and buildings include investment properties of £50.7m (1992 £32.4m).

Net book value includes assets held under finance leases as follows:

	Cost £m	Depreciation £m	Net book value £m
At 1st April 1992	10.9	(3.6)	7.3
Additions	1.8	—	1.8
Depreciation for year	—	(1.7)	(1.7)
Disposals	(.6)	.3	(.3)
Currency adjustments	.1	—	.1
At 31st March 1993	12.2	(5.0)	7.2

Parent	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation					
At 1st April 1992	47.4	157.2	130.4	19.0	354.0
Additions	.4	16.0	17.3	23.3	57.0
Disposals	(.3)	(4.1)	(4.9)	—	(9.3)
Reclassifications and transfers	—	13.1	.8	(15.7)	(1.8)
At 31st March 1993	47.5	182.2	143.6	26.6	399.9
Depreciation					
At 1st April 1992	16.2	75.4	72.2	—	163.8
Depreciation for year	1.2	13.9	14.3	—	29.4
Disposals	(.1)	(2.7)	(3.8)	—	(6.6)
Transfers	—	(.3)	(.2)	—	(.5)
At 31st March 1993	17.3	86.3	82.5	—	186.1
Net book value at 31st March 1993	**30.2**	**95.9**	**61.1**	**26.6**	**213.8**

Notes	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Net book value of land and buildings comprises:				
Freehold	**633.8**	801.8	**30.2**	31.2
Long leasehold (more than 50 years unexpired)	**118.9**	162.9	**—**	—
Short leasehold	**33.4**	31.1	**—**	—
	786.1	995.8	**30.2**	31.2
Analysis of cost or valuation:				
Cost	**1,251.0**	1,277.5	**393.5**	347.6
Directors' valuation 1993	**672.9**	—	**—**	—
Independent valuation 1989	**.7**	757.5	**—**	—
1965	**.4**	.8	**—**	—
1959	**—**	.1	**—**	—
1958	**7.8**	7.8	**6.4**	6.4
Investment properties	**50.7**	32.4	**—**	—
	1,983.5	2,076.1	**399.9**	354.0

Notes Relating to the Accounts

11. Tangible fixed assets continued

Notes continued	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Net book value of tangible fixed assets under the historical cost convention	**1,105.6**	1,038.3	**213.1**	189.6
Cost or valuation of non-depreciated assets included in land and buildings:				
Shop freeholds and land	**447.3**	639.7	**—**	—
Long leaseholds (more than 50 years unexpired)	**115.7**	157.0	**—**	—
Investment properties	**50.7**	32.4	**—**	—
	613.7	829.1	**—**	—

The directors carried out a valuation of the group's UK freehold and long leasehold properties, excluding factories and specialised buildings, at 31st March 1993 in conjunction with the group's own professionally qualified staff. The valuation was on an open market basis for existing use and identified a shortfall of £223.2m on existing carrying values. Property values have been adjusted accordingly and the deficit has been taken direct to the revaluation reserve. Investment properties were valued on the basis of open market value as at 31st March 1993 by the group's own professionally qualified staff in conjunction with Hillier Parker May and Rowden, and the surplus was £1.7m.

12. Fixed asset investments

Group – Associated undertakings	Equity £m	Loans £m	Total £m
At 1st April 1992	57.5	—	57.5
Additions	8.3	5.0	13.3
Loss for the year	(16.3)	—	(16.3)
Reclassification from debtors	—	15.0	15.0
Currency adjustments	1.3	—	1.3
At 31st March 1993	**50.8**	**20.0**	**70.8**

Parent	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Shares in associated undertakings £m	Loans to associated undertakings £m	Total £m
Cost					
At 1st April 1992	1,084.8	212.4	97.3	—	1,394.5
Additions	60.1	—	—	5.0	65.1
Reclassification from debtors	—	—	—	15.0	15.0
Repayments	—	(11.0)	—	—	(11.0)
Currency adjustments	—	(3.7)	—	—	(3.7)
At 31st March 1993	1,144.9	197.7	97.3	20.0	1,459.9
Provision					
At 1st April 1992	439.9	3.1	—	—	443.0
Movement	100.2	4.6	—	—	104.8
At 31st March 1993	540.1	7.7	—	—	547.8
Net book value at 31st March 1993	**604.8**	**190.0**	**97.3**	**20.0**	**912.1**

The list of principal companies shown on pages 64 and 65 forms part of this note.
The parent has guaranteed borrowings of an associate up to a maximum limit of £30m (1992 £30m).

13. Stocks

	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Manufacturing:				
Raw materials	**32.8**	28.7	**16.2**	14.7
Work in progress	**23.2**	20.3	**16.5**	14.2
Finished goods	**60.0**	43.9	**32.1**	14.4
	116.0	92.9	**64.8**	43.3
Retailing	**419.6**	408.8	**121.4**	104.2
Property development	**17.4**	17.9	**—**	—
	553.0	519.6	**186.2**	147.5

Property development stock includes capitalised interest net of taxation of £.8m (1992 £1.1m).

14. Debtors

	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Falling due within one year:				
Trade debtors	**187.4**	165.2	**33.1**	30.0
Owed by subsidiary undertakings	**—**	—	**291.1**	235.3
Owed by associated undertakings	**.2**	19.2	**.2**	15.4
Other debtors	**35.2**	21.4	**12.0**	10.7
Prepayments and accrued income	**54.9**	47.1	**16.6**	9.7
Corporation tax	**63.8**	1.6	**62.0**	—
	341.5	254.5	**415.0**	301.1
Falling due after more than one year:				
Owed by subsidiary undertakings	**—**	—	**141.2**	302.3
Advance corporation tax	**—**	27.9	**—**	27.9
Other debtors	**5.4**	4.7	**3.8**	2.3
	346.9	287.1	**560.0**	633.6

15. Current assets – Investments

	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Listed investments	**.6**	.6	**.5**	.5
Short term deposits	**357.2**	182.0	**178.7**	47.0
Certificates of tax deposit	**6.3**	5.0	**5.2**	3.7
	364.1	187.6	**184.4**	51.2
Market value of investments listed on The London Stock Exchange	**.6**	.6	**.5**	.5

In common with a number of international businesses, a US subsidiary operates a manufacturing plant in Puerto Rico. Cash generated from this operation is invested locally in US dollar denominated instruments. There is no restriction on remittance of funds from Puerto Rico although there is currently no intention to do so. At 31st March 1993, the investments amounted to £144.0m (1992 £90.5m).

Notes Relating to the Accounts

16. Creditors: Amounts falling due within one year

	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Bank loans and overdrafts	**154.9**	108.3	**237.6**	170.7
Variable rate notes	**27.7**	30.6	**26.6**	28.5
7¾% stock 1988/93	**5.7**	—	**5.7**	—
Bills of exchange				
—bank acceptances	**19.8**	122.7	**19.8**	122.7
—trade	**5.5**	5.9	**.3**	.1
Commercial paper	**—**	72.7	**—**	72.7
Trade creditors	**240.3**	196.7	**170.7**	142.5
Due to subsidiary undertakings	**—**	—	**48.4**	31.3
Corporation tax	**120.4**	61.7	**—**	.3
Advance corporation tax	**45.0**	41.4	**45.0**	41.4
Taxation and social security (including value added and other sales taxes)	**55.7**	73.4	**10.2**	27.4
Obligations under finance leases	**.6**	3.2	**—**	—
Other creditors	**129.2**	96.8	**52.5**	44.4
Accruals	**92.6**	89.0	**28.5**	24.2
Proposed dividend	**—**	83.8	**—**	83.8
	897.4	986.2	**645.3**	790.0

Overdrafts of certain subsidiaries amounting to £2.3m at 31st March 1993 (1992 £2.3m) were secured on the assets of those subsidiaries.

Variable rate notes are repayable at the option of the holders.

The 7¾% stock was due for repayment on 30th September 1993 but was repaid on 25th May 1993 at the option of the company.

17. Creditors: Amounts falling due after more than one year

	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Unsecured loans:				
Due within one to two years:				
—Foreign currency bank loans	**1.6**	1.7	—	—
—Obligations under finance leases	**1.8**	.8	—	—
—7¾% stock 1988/93	—	5.7	—	5.7
Due within two to five years:				
—US $175m 9% bond 1997	**116.7**	101.2	**116.7**	101.2
—Convertible capital bonds (see note 18)	—	113.3	—	—
Due after five years:				
—£250m 10.125% bond 2017	**250.0**	—	**250.0**	—
Due to subsidiary undertakings	—	—	**173.1**	250.5
Other creditors	**3.5**	2.9	**1.9**	1.5
Accruals	**11.4**	5.0	—	—
	385.0	230.6	**541.7**	358.9

During the year a bond issue was made and the proceeds of £250.8m before expenses used to repay short term debt. The group has a number of US$ currency swaps in place, which are equivalent to borrowing US dollars and depositing sterling for a fixed period. The US$ liability created in this way is US$391m.

At 31st March 1993, the group had arranged interest rate swap agreements that effectively converted £141m of the £250m bond from a fixed rate of 10.125% to a floating rate.

18. Convertible capital bonds

In January 1990, Boots Investments Limited (formerly Boots Finance Limited) issued £155 million of 6% convertible capital bonds, guaranteed on a subordinated basis by the parent company. The bonds were convertible at the election of the bondholders into redeemable preference shares of Boots Investments Limited, which in turn were immediately exchangeable for ordinary shares of The Boots Company PLC at 335 pence per share. This price represented a 16% premium over the market value at the time of issue.

On 15th May 1992, the necessary conditions having been met, Boots Investments Limited gave notice requiring conversion of all remaining bonds and redemption of the resulting preference shares at their paid-up value on 16th June 1992. As a result, the £113.3 million bonds in issue at 31st March 1992 were converted and exchanged into 33.8 million shares during June 1992.

Bondholders were not entitled to any interest for the period from the last interest payment date, 29th January 1992, and consequently no interest has been charged in the profit and loss account for the year.

Notes Relating to the Accounts

19. Provisions for liabilities and charges

Group	Deferred taxation £m	Other provisions £m	Total £m
At 1st April 1992	13.7	20.9	34.6
Utilised	—	(7.2)	(7.2)
Profit and loss account	1.5	—	1.5
Currency adjustments	(.3)	.5	.2
Revaluation reserve	(1.2)	—	(1.2)
At 31st March 1993	**13.7**	**14.2**	**27.9**

Other provisions include the 'Provision for loss on discontinued operations sold in prior years' (see note 4).

Parent	Deferred taxation £m
At 1st April 1992	6.6
Profit and loss account	(1.8)
At 31st March 1993	**4.8**

	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Analysis of deferred taxation provision:				
Capital allowances	**16.7**	16.1	**3.0**	4.0
Capital gains taxation	**.7**	1.9	**—**	—
Other items:				
UK	**(.8)**	1.1	**1.8**	2.6
Overseas	**(2.9)**	(5.4)	**—**	—
	13.7	13.7	**4.8**	6.6
Unprovided deferred taxation:				
Capital allowances	**69.1**	64.7	**30.2**	28.4
Capital gains rolled over (net of capital losses)	**6.7**	5.6	**—**	—
Other items	**(3.7)**	(1.7)	**—**	—
	72.1	68.6	**30.2**	28.4

It is not anticipated that any significant taxation will become payable on the revaluation surplus, as taxation on gains on properties sold in the normal course of business is expected to be deferred indefinitely.

20. Share capital

	1993 £m	1992 £m
Ordinary shares of 25p each:		
Authorised	**300.0**	300.0
Allotted, called up and fully paid	**259.5**	250.1

Details of ordinary shares allotted during the year are as follows:

	Bond conversions	Scrip dividends	Option schemes	Total
Number of shares allotted (million)	33.8	1.8	2.1	37.7
	£m	£m	£m	£m
Nominal value	8.4	.4	.6	9.4
Share premium	104.9	7.9	4.5	117.3
Consideration	113.3	8.3	5.1	126.7

During the year approximately 24% of shareholders owning 7% of shares elected to take all or part of their dividends in shares, where this option was available.

Under a savings-related scheme, options may be granted enabling employees with over three years' service (or less in the case of senior staff) to subscribe for ordinary shares at approximately 80% of market price. At 31st March 1993, options exercisable from 1993 to 2000 at between 193p and 386p per share were outstanding in respect of 9,038,780 shares.

Under an executive share option scheme certain senior executives are granted options to subscribe for ordinary shares. At 31st March 1993, such options were outstanding as follows:

Number of shares	Option price	Exercisable from	to
40,000	195p	—	August 1995
47,500	307p	—	June 1997
692,500	257p	—	December 1999
872,500	286p	July 1993	July 2000
487,000	339p	December 1993	December 2000
1,990,000	399p	July 1994	July 2001
103,500	420p	December 1994	December 2001
630,000	437p	August 1995	August 2002
17,500	530p	December 1995	December 2002

On any date, the aggregate nominal amount of new shares over which options may be granted, when added to the nominal amount of new shares issued and remaining issuable in respect of options granted in the previous ten years under all of the company's employee share schemes, may not exceed 10 per cent of the nominal amount of shares in issue immediately before that date.

An analysis of shareholders as at 31st March 1993 is as follows:

Shareholdings range	Number	%	Total holding	%
1 — 500	34,611	26.9	8,222,824	.8
501 — 1,000	29,330	22.8	22,323,489	2.2
1,001 — 10,000	60,495	47.1	161,098,115	15.5
10,001 — 100,000	3,383	2.6	82,311,295	7.9
100,001 — 1,000,000	589	.5	190,561,086	18.3
Over 1,000,000	144	.1	573,554,971	55.3
	128,552	100.0	1,038,071,780	100.0

Notes Relating to the Accounts

21. Reserves

Group	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Share of associated undertakings £m	Total £m
At 1st April 1992	80.9	528.3	579.7	(7.1)	1,181.8
Profit retained	—	—	156.4	(16.3)	140.1
Goodwill (see below)	—	—	(30.4)	—	(30.4)
Revaluation deficit	—	(223.2)	—	—	(223.2)
Revaluation surplus realised on disposals	—	(13.4)	13.4	—	—
Issue of shares	117.3	—	—	—	117.3
Share issue expenses	(.5)	—	—	—	(.5)
Bond issue expenses	(1.7)	—	—	—	(1.7)
Deferred taxation	—	1.2	—	—	1.2
Transfers	—	(.7)	.7	—	—
Currency adjustments on:					
—Goodwill (see below)	—	—	29.0	—	29.0
—Assets and results	—	—	23.6	(.7)	22.9
—Loans and currency swaps	—	—	(17.4)	—	(17.4)
At 31st March 1993	**196.0**	**292.2**	**755.0**	**(24.1)**	**1,219.1**

Goodwill set off against reserves in respect of businesses still within the group	Cost £m	Currency adjustment £m	Total £m
At 1st April 1992	1,304.5	(54.0)	1,250.5
Acquisitions	1.4	—	1.4
Currency adjustments	—	29.0	29.0
At 31st March 1993	1,305.9	(25.0)	1,280.9

The revaluation reserve includes £1.7m (1992 £nil) relating to investment properties.

Parent	Share premium account £m	Profit and loss account £m	Total £m
At 1st April 1992	80.9	497.9	578.8
Profit retained	—	(79.5)	(79.5)
Issue of shares	117.3	—	117.3
Share issue expenses	(.5)	—	(.5)
Bond issue expenses	(1.7)	—	(1.7)
At 31st March 1993	**196.0**	**418.4**	**614.4**

22. Notes to the group cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	1993 £m	1992 £m
Operating profit	**421.7**	399.6
Loss from interests in associated undertakings	**20.6**	.5
Depreciation and amortisation	**102.6**	89.2
Loss on disposal of fixed assets	**5.5**	8.6
Increase in stocks	**(27.0)**	(11.3)
Increase in debtors	**(28.2)**	(13.9)
Increase in creditors	**61.6**	9.8
Provisions utilised	**(7.2)**	(10.3)
Net cash inflow from operating activities	**549.6**	472.2

b Analysis of changes in cash and cash equivalents during the year

	1993 £m	1992 £m
At 1st April 1992	**(125.6)**	(163.7)
Net cash inflow	**111.5**	35.1
Currency adjustments	**(.6)**	3.0
At 31st March 1993	**(14.7)**	(125.6)

c Analysis of changes in financing during the year

	1993 Share capital and premium £m	1993 Borrowings and finance leases £m	1992 Share capital and premium £m	1992 Borrowings and finance leases £m
At 1st April 1992	**331.0**	**321.9**	278.8	371.5
Cash inflows/(outflows) from financing	**2.9**	**179.9**	4.5	(9.5)
Scrip dividends	**8.3**	—	6.0	—
Conversion of capital bonds	**113.3**	**(113.3)**	41.7	(41.7)
Finance leases capitalised	—	**1.8**	—	2.1
Currency adjustments	—	**15.8**	—	(.5)
At 31st March 1993	**455.5**	**406.1**	331.0	321.9

Notes Relating to the Accounts

22. Notes to the group cash flow statement continued

d Analysis of cash, cash equivalents, investments and borrowings

	1993 Cash and cash equivalents £m	1993 Investments, borrowings and finance leases £m	1992 Cash and cash equivalents £m	1992 Investments, borrowings, and finance leases £m
Cash at bank and in hand	**10.9**	**—**	10.3	—
Listed investments	**—**	**.6**	—	.6
Short term deposits	**147.1**	**210.1**	102.4	79.6
Certificates of tax deposit	**—**	**6.3**	—	5.0
	158.0	**217.0**	112.7	85.2
Bank loans and overdrafts	**(152.9)**	**(2.0)**	(107.6)	(.7)
Variable rate notes	**—**	**(27.7)**	—	(30.6)
Bills of exchange—bank acceptances	**(19.8)**	**—**	(122.7)	—
Commercial paper	**—**	**—**	(8.0)	(64.7)
Obligations under finance leases	**—**	**(2.4)**	—	(4.0)
Unsecured loans	**—**	**(374.0)**	—	(221.9)
	(172.7)	**(406.1)**	(238.3)	(321.9)
Net debt	**(14.7)**	**(189.1)**	(125.6)	(236.7)

Cash equivalents are highly liquid deposits which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of advance.

Investments and borrowings have original maturities of more than three months.

e Analysis of movement in net debt

	1993 £m	1992 £m
At 1st April 1992	**(362.3)**	(472.0)
Increase in cash and cash equivalents	**111.5**	35.1
Movement in funds with maturity of more than 3 months	**(59.9)**	30.1
Conversion of capital bonds	**113.3**	41.7
Currency adjustments	**(6.4)**	2.8
At 31st March 1993	**(203.8)**	(362.3)

f Purchase and disposal of businesses

	Purchase 1993 £m	Purchase 1992 £m	Disposal 1993 £m	Disposal 1992 £m
Goodwill purchased	**(1.4)**	(2.7)	**—**	—
Deferred receipts from sale of businesses	**—**	—	**.5**	.5
	(1.4)	(2.7)	**.5**	.5

23. Pensions

The group operates pension schemes throughout the world, most of which are final salary (defined benefit) schemes and are fully funded.

The principal UK pension scheme is Boots Pension Scheme, the cost of which is determined by Bacon and Woodrow, consulting actuaries. There was no pension cost for Boots Pension Scheme in the year (1992 nil), reflecting the results of the 1st April 1992 valuation. This valuation has taken into account the transfer into the scheme of the assets and liabilities of the Ward White and A G Stanley schemes. The zero charge arises as a result of amortisation of surplus. Surpluses disclosed at the 1989 and 1992 valuations are being recognised over the expected average remaining service life of members at those valuations. The remaining amortisation period for the surplus disclosed at the April 1989 valuation is approximately nine years. The further surplus disclosed at the April 1992 valuation is being recognised over 13 years from that date.

The projected unit method was used both in assessing pension costs for accounting purposes and for funding the scheme. The assumed rate of investment return was 2% per annum above the assumed rate of pay increases, excluding promotional increases, 4% per annum above the assumed rate of pension increases and 4½% per annum above the assumed rate of dividend increases. Members retiring are assumed to be replaced by new entrants so that the average age of the membership remains constant. The market value of the scheme's assets was £1,032 million at 1st April 1992. The results of the valuation show that the actuarial value of the assets at 1st April 1992 represented 131% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service to the valuation date for active members, allowing for future pay increases. The ratio of the actuarial value of assets to liabilities has fallen from 145% as at 1st April 1989 because of the effect of benefit improvements and the temporary suspension of employer contributions. Employer contributions are equal to the pension costs recognised in the group accounts.

In common with other companies, additional pension arrangements are being made for those more recently recruited senior executives whose benefits, relative to longer serving staff, are subject to statutory restrictions.

24. Commitments

a Future capital expenditure approved by the directors and not provided for in these accounts is as follows:

	Group 1993 £m	Group 1992 £m	Parent 1993 £m	Parent 1992 £m
Contracts placed	**54.5**	87.1	**24.3**	59.5
Contracts not placed	**74.4**	77.2	**19.4**	34.1
	128.9	164.3	**43.7**	93.6

b Annual commitments under operating leases at 31st March 1993 are as follows:

	Group Land and buildings £m	Group Other £m	Parent Land and buildings £m	Parent Other £m
Expiring:				
Within one year	5.5	2.8	4.8	—
Over one year and less than five years	12.4	4.9	—	.1
Over five years	115.6	.1	7.4	.1
	133.5	7.8	12.2	.2

c A subsidiary, Boots Investments Limited, has granted an option to a third party whereby the third party can require Boots Investments Limited to purchase part of the £250m bond issued by the parent company. This option can be exercised on 24th June 1993 at a cost of £120.3m to Boots Investments Limited.

Notes Relating to the Accounts

25. Staff numbers and costs

The average number of persons employed by the group during the year was as follows:	1993	1992
Pharmaceuticals Division	**11,811**	11,451
Boots The Chemists	**51,112**	52,040
Retail Division	**15,814**	16,424
Boots Properties	**54**	43
Central	**947**	889
Total employees	**79,738**	80,847

Total number of persons employed by the group at 31st March 1993 was 78,707 (1992 79,036).

The aggregate payroll cost was as follows	£m	£m
Wages and salaries	**715.3**	664.7
Social security costs	**64.8**	58.1
Other pension costs	**4.5**	6.9
	784.6	729.7

All the employees of our South African company are paid above the supplemented living level. Further information is available from the Secretary.

26. Remuneration of directors

	Chairman 1993 £000	Chairman 1992 £000	Chief Executive 1993 £000	Chief Executive 1992 £000	All 1993 £000	All 1992 £000
Executive Directors						
Salaries	**160**	150	**415**	380	**2,062**	1,938
Performance related bonuses						
— long term	—	—	**44**	9	**202**	42
— one year schemes	—	—	**151**	177	**704**	858
Long service payments and other benefits	**10**	9	**10**	5	**118**	102
	170	159	**620**	571	**3,086**	2,940
Pension costs						
— funded scheme	—	—	**83**	76	**372**	347
— unfunded arrangement	—	—	**110**	101	**110**	101
	170	159	**813**	748	**3,568**	3,388
Non-Executive Directors						
Fees					**80**	65
Payments for committee work					**38**	16
					118	81
Total remuneration					**3,686**	3,469

The Chief Executive is the highest paid director.
The pension arrangements for the Chief Executive are designed to provide the same level of pension benefits enjoyed by other directors and reflect his relatively shorter length of service.

An analysis of remuneration of directors (except where duties were discharged mainly outside the UK) is shown below, excluding pension contributions.

	Number of directors 1993	Number of directors 1992		Number of directors 1993	Number of directors 1992
£615,001 — 620,000	**1**	—	£235,001 — 240,000	**—**	4
£570,001 — 575,000	**—**	1	£165,001 — 170,000	**1**	—
£335,001 — 340,000	**2**	—	£155,001 — 160,000	**—**	1
£310,001 — 315,000	**—**	1	£100,001 — 105,000	**—**	1
£305,001 — 310,000	**—**	2	£25,001 — 30,000	**1**	—
£290,001 — 295,000	**1**	—	£20,001 — 25,000	**4**	—
£280,001 — 285,000	**1**	—	£15,001 — 20,000	**—**	4
£270,001 — 275,000	**1**	—	£5,001 — 10,000	**—**	1
£260,001 — 265,000	**1**	—	£1 — 5,000	**—**	1
£250,001 — 255,000	**2**	—			

The remuneration of all executive directors is determined by the Board Remuneration Committee. The Committee comprises the Chairman and the non-executive directors.

The executive directors' remuneration package reflects the need to provide incentives and rewards linked to performance and the criteria for measurement of performance in the bonus schemes are as follows:

— a long term bonus scheme was introduced for executive directors with effect from 1st April 1991. This scheme is based upon total shareholder return covering share price movement and dividends paid. Payment of the bonus will depend upon the performance of the company over a four-year period in a league table of other leading companies in the retail and pharmaceutical industries. It provides for graduated payments in respect of the first three years and for the delayed payment of one half of the total bonus due until year seven, or normal retirement if earlier. The maximum bonus which can be earned is two-thirds of salary over the four-year period.

— a short term executive bonus scheme rewards performance in excess of budget. With effect from 1st April 1993 the criteria are return on capital, sales growth and cash flow, which have replaced the earnings per share measure used in earlier years. Maximum bonus which can be earned under this one-year scheme is 35% of salary.

Notes Relating to the Accounts

27. Directors' shareholdings

The beneficial interests of the directors and their families in the share capital of the company at 31st March 1993 are shown below. Included under 'ordinary shares' are those held in trust under the company's profit sharing scheme. No director holds any loan capital.

Details of the company's share option schemes are referred to in note 20. Share options allow executives to buy the company's shares at a future date at the market price prevailing a few days before the date of grant, and they therefore provide an incentive to improve shareholder return. Share options have been granted during the year up to the maximum multiple of salary permitted by the Inland Revenue including replacement options for those previously exercised.

			Ordinary shares under option			
	Ordinary shares 1993	Ordinary shares 1992	1993	exercised during the year	granted during the year	1992
K Ackroyd	**35,938**	35,076	**107,742**	**172,500**	**12,500**	267,742
Sir Christopher Benson	**13,803**	13,429	—	—	—	—
Sir James Blyth	**11,541**	11,230	**317,626**	**155,000**	**100,000**	372,626
P J Davis	**2,992**	2,792	—	—	—	—
A H Hawksworth	**23,222**	22,717	**129,967**	**72,500**	**22,500**	179,967
G M Hourston	**32,003**	31,138	**115,995**	**160,000**	**15,000**	260,995
The Baroness Oppenheim-Barnes	**4,733**	2,476	—	—	—	—
I M G Prosser	**1,072**	1,072	—	—	—	—
Sir Peter Reynolds	**3,454**	3,385	—	—	—	—
T G Richardson	**20,839**	20,312	**142,389**	**67,500**	**12,500**	197,389
M F Ruddell	**14,213**	13,866	**123,602**	**72,500**	**7,130**	188,972
G R Solway	**27,597**	25,380	**216,727**	**1,580**	**30,000**	188,307
D A R Thompson	**11,976**	10,834	**169,333**	**45,000**	**27,500**	186,833
R P Wilson	**2,000**	—	—	—	—	—

In addition Sir Peter Reynolds has a non-beneficial interest in 1,300 (1992 1,300) ordinary shares.
Directors' holdings on 2nd June 1993 are unchanged.

Directors' Responsibilities Statement

The directors are required by law to prepare accounts which give a true and fair view of the profit and loss for the financial year and of the state of affairs of the company and group at the end of that period. The directors confirm that suitable accounting policies have been used and applied consistently, applicable accounting standards have been followed, and reasonable and prudent judgements and estimates have been made. The directors are also of the opinion that the company and its subsidiaries have suitable internal controls for maintaining adequate accounting records, for safeguarding the assets of the group, and for preventing and detecting fraud and other irregularities.

By order of the board
2nd June 1993
I. A. Hawtin
Secretary

Auditors' Report

Report of the Auditors to the members of The Boots Company PLC.

We have audited the accounts on pages 38 to 62.

Respective responsibilities of directors and auditors
As described above the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinon we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31st March 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick
Chartered Accountants
Registered Auditors
Birmingham
2nd June 1993

Principal Companies

	Percentage held by parent	Percentage held by subsidiary undertakings	Country of incorporation where operating abroad	Principal activities
Parent The Boots Company PLC				Manufacturing, marketing and distribution of pharmaceuticals and consumer products
Subsidiary undertakings (incorporated and registered in England)				
A G Stanley Ltd.		100		Retailing of decorative products and interior furnishings
BCM Ltd.	100			Manufacturing and marketing of pharmaceuticals and consumer products
Boots Development Properties Ltd.		100		Property development
Boots Healthcare International Ltd.	100			Marketing consumer products
Boots Opticians Ltd.		100		Registered opticians
Boots Pharmaceuticals Ltd.	100			Marketing pharmaceuticals
Boots Properties PLC	100			Property holding
Boots Print Ltd.	100			Print services
Boots The Chemists Ltd.	100			Retail chemists
Childrens World Ltd.	100			Retailing of goods and services for children
Crookes Healthcare Ltd.	100			Marketing consumer products
Farley Health Products Ltd.	100			Manufacturing consumer products
Halfords Ltd.		100		Retailing of car parts, accessories and bicycles and car servicing
Optrex Ltd.	100			Marketing consumer products
Ward White Group plc	100			Holding company
Subsidiary undertakings (incorporated overseas)				Activities refer to pharmaceutical and consumer products unless otherwise indicated
The Boots Company (Australia) Pty. Ltd.	100		Australia	Manufacturing and marketing
Boots Pharmaceuticals S.A. NV		100	Belgium	Marketing
Boots Pharmaceuticals Ltd.		100	Canada	Marketing
Boots Pharma S.A.	100		France	Manufacturing and marketing
Beaute, Hygiene et Soins, S.A.	100		France	Retailing of cosmetics and toiletries
Boots Pharma GmbH	5	95	Germany	Manufacturing and marketing
Mountgrave Insurance Ltd.	100		Guernsey	Insurance company
Boots Pharmaceuticals Ltd.	40		India	Manufacturing and marketing
The Boots Company (Ireland) Ltd.	100		Ireland	Marketing
Boots Italia S.p.A.	100		Italy	Marketing
Boots Investments Ltd. (formerly Boots Finance Ltd.)	100		Jersey	Investment company
Boots Pharmaceuticals Ltd.		100	Kenya	Manufacturing and marketing
Optrex (Malaya) Sdn. Bhd.		100	Malaysia	Marketing
Boots Pharmaceuticals B.V.	100		The Netherlands	Marketing

	Percentage held by parent	Percentage held by subsidiary undertakings	Country of incorporation where operating abroad	Principal activities
Subsidiary undertakings (incorporated overseas) continued				Activities refer to pharmaceutical and consumer products unless otherwise indicated
The Boots Company (New Zealand) Ltd.	100		New Zealand	Marketing
Boots Pharmaceuticals Ltd.	56.5		Pakistan	Manufacturing and marketing
Boots Pharmaceuticals (Philippines) Inc.	100		Philippines	Marketing
The Boots Company (Far East) Pte. Ltd.	100		Singapore	Marketing
Boots Pharmaceuticals (Pty.) Ltd.	100		South Africa	Manufacturing and marketing
Boots Pharmaceuticals S.A.	100		Spain	Manufacturing and marketing
The Boots Company (Thailand) Ltd.	100		Thailand	Marketing
Boots Pharmaceuticals Inc.		100	USA	Development, manufacturing and marketing of pharmaceuticals
Boots Pharmaceuticals PR, Inc.		100	USA	Manufacturing pharmaceuticals

All percentages relate to holdings of ordinary share capital.
The Boots group exercises a dominant influence over Boots Pharmaceuticals Ltd., India, which is therefore consolidated as a subsidiary undertaking.

	Issued share capital	Percentage held	Principal activities
Associated undertakings			
Do It All Ltd. (incorporated and registered in England)	48,500,000 'A' ordinary shares	100	DIY retailer
	48,500,000 'B' ordinary shares	—	
BHC Company (partnership in Bishop, Texas USA)	—	50	Manufacturing pharmaceuticals

The holding in Do It All Ltd. resulted from the reclassification of the issued share capital and the increase in the authorised and issued share capital which took place on 2nd April 1992.
On 7th May 1993 the authorised capital was increased to £200,000,000 by the creation of 51,500,000 'A' ordinary shares and 51,500,000 'B' ordinary shares. At the same time the issued share capital was increased to £137,000,000 by the issue of 20,000,000 'A' ordinary shares to The Boots Company PLC and 20,000,000 'B' ordinary shares to W H Smith Ltd. All 'A' and 'B' ordinary shares in issue are fully paid.
All the companies operate principally in the country of incorporation, except Boots Pharmaceuticals PR, Inc. which operates in Puerto Rico.

Group Financial Record

Profit and Loss Account	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m
Turnover	**3,962.1**	3,660.3	3,567.0	3,384.8	2,706.9
Operating profit	**421.7**	399.6	401.0	376.4	283.0
Exceptional items	—	(15.8)	19.6	(.9)	(6.7)
Profit on ordinary activities before interest	**421.7**	383.8	420.6	375.5	276.3
Net interest	**(16.5)**	(43.1)	(65.1)	(30.0)	23.7
Profit on ordinary activities before taxation	**405.2**	340.7	355.5	345.5	300.0
Taxation	**(124.4)**	(109.7)	(109.0)	(112.1)	(95.8)
Profit on ordinary activities after taxation	**280.8**	231.0	246.5	233.4	204.2
Minority interests	**(1.7)**	(1.5)	(1.9)	(.6)	(.8)
Profit attributable to shareholders	**279.1**	229.5	244.6	232.8	203.4
Dividends	**(139.0)**	(126.4)	(114.3)	(107.8)	(92.6)
Profit retained	**140.1**	103.1	130.3	125.0	110.8

Prior year figures have been restated to reflect the requirements of FRS3 (see note 1).

Total Recognised Gains and Losses					
Profit attributable to shareholders	**279.1**	229.5	244.6	232.8	203.4
(Deficit)/surplus on revaluation of properties	**(223.2)**	—	—	—	568.9
Currency translation differences	**34.5**	3.3	(27.0)	15.7	47.4
Other net (losses)/gains	**(1.0)**	13.1	(3.4)	.8	(4.1)
Recognised gains and losses for the year	**89.4**	245.9	214.2	249.3	815.6

Movements in Shareholders' Funds					
Recognised gains and losses for the year	**89.4**	245.9	214.2	249.3	815.6
Dividends	**(139.0)**	(126.4)	(114.3)	(107.8)	(92.6)
New share capital subscribed	**126.7**	52.6	11.9	21.5	7.7
Goodwill purchased	**(1.4)**	(2.7)	2.0	(660.8)	(56.4)
Currency adjustment on goodwill	**(29.0)**	(1.8)	20.9	(9.9)	(35.7)
Increase/(decrease) in shareholders' funds	**46.7**	167.6	134.7	(507.7)	638.6

Balance Sheet	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m
Fixed assets	**1,449.8**	1,626.3	1,577.3	1,551.2	1,282.6
Investments	**70.8**	57.5	49.7	3.5	3.3
Net current assets/(liabilities)	**377.5**	18.4	(52.2)	(108.0)	393.5
Other creditors	**(385.0)**	(230.6)	(272.9)	(278.4)	(24.3)
Provision for liabilities and charges	**(27.9)**	(34.6)	(31.1)	(37.1)	(16.4)
Net assets	**1,485.2**	1,437.0	1,270.8	1,131.2	1,638.7
Represented by:					
Shareholders' funds	**1,478.6**	1,431.9	1,264.3	1,129.6	1,637.3
Minority interests	**6.6**	5.1	6.5	1.6	1.4
	1,485.2	1,437.0	1,270.8	1,131.2	1,638.7

Key statistics

Cash generation	**549.6**	472.2	407.8	527.8	338.1
Sales growth	**8.2%**	2.6%	5.4%	25.0%	4.4%
Return on shareholders' funds	**19.6%**	18.3%	21.8%	14.3%	20.4%

Cash generation represents the net cash flow from operating activities.
Return on shareholders' funds is calculated as profit on ordinary activities after taxation as a percentage of opening shareholders' funds.

Other statistics

Earnings per share	**27.0p**	23.0p	24.9p	24.3p	22.0p
Interest cover	**25.6**	8.9	6.5	12.5	—
Net debt	**203.8**	362.3	472.0	541.3	—
Capital expenditure	**169.0**	172.7	164.8	151.1	117.9
Research and development	**66.8**	58.9	53.7	49.0	39.1
Debt equity ratio	**13.8%**	25.3%	37.3%	47.9%	—

The debt equity ratio is calculated as the percentage of net debt to shareholders' funds.

Shareholder value

Dividend per share	**13.4p**	12.4p	11.6p	11.0p	10.0p
Dividend cover	**2.0**	1.8	2.1	2.2	2.2
Share price:					
Highest	**561p**	479p	374p	316p	278p
Lowest	**403p**	359p	249p	252p	199p

Segmental Financial Record

	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m
Pharmaceuticals Division					
Turnover:					
UK (including exports)	**389.3**	362.1	320.9	324.6	315.4
Overseas	**425.2**	381.8	346.4	293.8	244.5
Intra-divisional	**(52.3)**	(44.7)	(38.5)	(34.6)	(35.3)
	762.2	699.2	628.8	583.8	524.6
Operating profit:					
UK	**23.6**	24.8	24.1	35.5	37.3
Overseas	**84.9**	96.0	91.0	75.6	58.0
	108.5	120.8	115.1	111.1	95.3
Capital expenditure	**45.6**	44.5	28.5	23.5	20.9
Boots The Chemists					
Turnover	**2,663.9**	2,471.8	2,360.6	2,268.9	2,084.0
Operating profit	**285.0**	246.2	228.8	190.0	151.0
Capital expenditure	**63.2**	62.7	59.4	75.5	66.0
Retail Divison					
Turnover:					
UK	**803.1**	769.3	752.7	480.1	75.9
Overseas	**69.1**	59.0	59.8	59.2	145.2
	872.2	828.3	812.5	539.3	221.1
Operating profit:					
UK	**(3.6)**	(3.4)	28.1	24.3	(2.9)
Overseas	**.2**	—	.3	(.3)	1.5
	(3.4)	(3.4)	28.4	24.0	(1.4)
Capital expenditure	**23.5**	20.2	38.2	30.7	15.0
Boots Properties					
Turnover	**84.0**	79.7	66.9	63.0	53.8
Operating profit:					
Development	**(3.5)**	3.5	.2	—	—
Net rents	**57.8**	51.3	46.5	39.2	34.4
(Loss)/profit from property sales	**(1.2)**	(3.0)	.1	5.1	11.7
	53.1	51.8	46.8	44.3	46.1
Capital expenditure	**36.7**	45.3	38.7	21.4	16.0

Pharmaceuticals Division turnover includes sales to Boots The Chemists, Retail Division turnover includes its share of Do It All's turnover and Boots Properties turnover includes rental income received from other segments.

Financial Calendar

1993

3rd June	Results and final dividend announced
18th June	Report and accounts circulated
22nd July	Annual general meeting
4th November	Interim results and dividend announced

1994

4th February	Interim dividend payable

Capital gains tax

For capital gains tax purposes, market values on 31st March 1982 were as follows:

Ordinary shares of 25p each	112.5p
£100 7¾% loan stock	£62.50

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